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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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吉利汽車控股有限公司

**GEELY AUTOMOBILE HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

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

**Financial adviser to Geely Automobile Holdings Limited**



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



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A letter from the Independent Board Committee is set out on page 33 to 34 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 35 to 71 of this circular. A notice convening the EGM to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Friday, 7 December 2018 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 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.

20 November 2018

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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:*

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group, which engages in consumer credit and mortgage lending activities
“Board”	the board of Directors
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Dakin Capital” or “Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder
“Dealers”	the Volvo Dealers and the EV Dealers, collectively
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps)
“Electric Vehicle Agreement”	a master agreement entered into among the Company, Geely Holding and GGL on 5 October 2018 pursuant to which the Group conditionally agreed to sell complete build-up unit of electric vehicles (being complete electric vehicles after final assembly) to the Geely Holding Group and the GGL Group
“EV Annual Caps”	being the EV Annual Caps (Wholesale) and the EV Annual Caps (Retail)

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## DEFINITIONS

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

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## DEFINITIONS

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“EV Retail Loan Cooperation Agreement”	cooperation agreements to be entered into between Genius AFC and the EV Dealers which govern, among other things, the arrangements between Genius AFC and the EV Dealers in promoting the sales of the EV Dealers and the provision of vehicle loans from Genius AFC to the EV Retail Customers
“EV Wholesale Facility Agreement(s)”	financing agreements to be entered into between Genius AFC and the EV Dealers which set out the terms of the loans to be provided by Genius AFC to the EV Dealers for their purchase of Geely EVs
“EV Wholesale Financing”	the provision by Genius AFC of vehicle loans and other financing to the EV Dealers to assist them to buy Geely EVs from Geely Holding
“Geely EVs”	electric vehicles to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate
“Geely Holding Group”	Geely Holding and its subsidiaries
“Genius AFC”	吉致汽車金融有限公司(Genius Auto Finance Co., Ltd.*), a limited liability company incorporated in the PRC which is owned as to 80% by the Company and as to 20% by BNPP PF. As certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC, Genius AFC is treated as a jointly controlled entity of the Company as at the Latest Practicable Date
“GGL”	吉利集團有限公司 (Geely Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate
“GGL Group”	GGL and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the entering into of the EV Finance Cooperation Agreement (including the EV Annual Caps)
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Latest Practicable Date”	14 November 2018, 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
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associate, holding 44.41% interests in the total issued share capital of the Company as at the 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
“Retail Customers”	the Volvo Retail Customers and the EV Retail Customers, collectively
“Retail Loan Agreements”	the Volvo Retail Loan Agreements and the EV Retail Loan Agreement, collectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

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## DEFINITIONS

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

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## DEFINITIONS

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



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## DEFINITIONS

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

*\* 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

*Non-executive Director:*

Mr. Carl Peter Edmund Moriz Forster

*Independent Non-executive Directors:*

Mr. Lee Cheuk Yin, Dannis  
Mr. Yeung Sau Hung, Alex  
Mr. An Qing Heng  
Mr. Wang Yang

*Registered Office:*

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

*Principal Place of Business in*

*Hong Kong:*

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

20 November 2018

*To the Shareholders,*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the announcement of the Company dated 5 October 2018 in relation to, among other things, (i) the continuing connected transactions in relation to the renewal of the Volvo Financing Arrangements; and (ii) the continuing connected transactions in relation to the EV Financing Arrangements.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information, among other things, (i) further information about the Volvo Financing Arrangements and EV Financing Arrangements; (ii) the recommendation of the Independent Board Committee on the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and EV Finance Cooperation Agreement (including the EV Annual Caps); (iii) the advice of the Independent Financial Adviser in respect of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and EV Finance Cooperation Agreement (including the EV Annual Caps); and (iv) other information as required under the Listing Rules together with the notice of the EGM.

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE VOLVO FINANCING ARRANGEMENTS**

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

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

#### **Date**

11 December 2015

#### **Parties**

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

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

VCDC is a limited liability company incorporated in the PRC, and is wholly owned by Volvo, an indirect 99% owned subsidiary of Geely Holding as at the 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 99% owned subsidiary of Geely Holding; and (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.

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## LETTER FROM THE BOARD

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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 44.41% of the total issued share capital of the Company. Accordingly, each of VCDC and VCIC is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

### **Subject matter**

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

### **Term**

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

### **Termination**

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

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

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## LETTER FROM THE BOARD

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

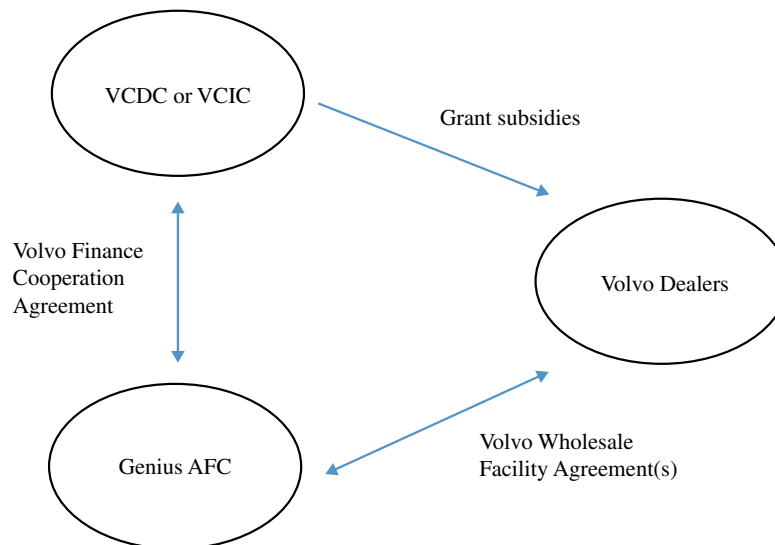
#### (i) *Cooperation*

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

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

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

#### (1) *Volvo Wholesale Financing*

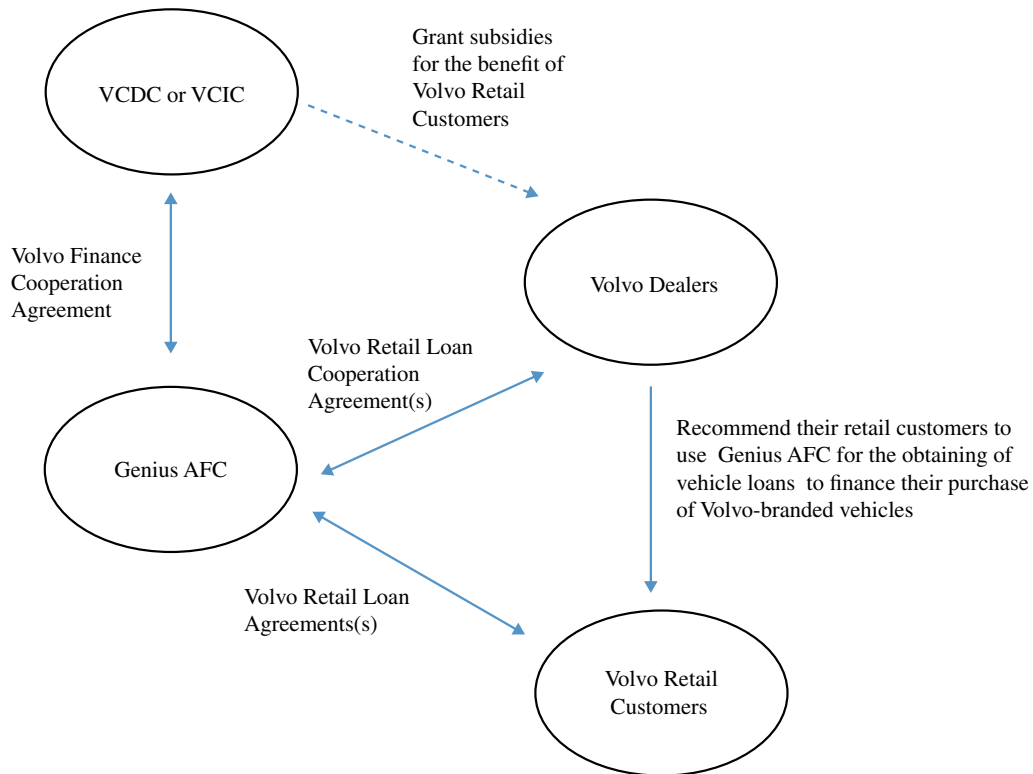


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## LETTER FROM THE BOARD

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(2) *Volvo Retail Financing*



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

(ii) *Pricing policy*

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

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

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## LETTER FROM THE BOARD

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In practice, given that Genius AFC is not the exclusive provider of financing services to the Volvo Dealers and the Volvo Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC would communicate with the Volvo Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the Volvo Wholesale Financing and the Volvo Retail Financing offered by Genius AFC are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures – Internal control within Genius AFC” in this circular for the internal control procedures for determining the pricing of the services provided by Genius AFC.

*(iii) Lending risk*

Genius AFC was primarily regulated by the China Banking Regulatory Commission, whose authority has now been transferred to the newly formed China Banking and Insurance Regulatory Commission. In addition, the People’s Bank of China and the Ministry of Finance of the PRC also have regulatory oversight of the auto finance industry. The China Banking Regulatory Commission and the People’s Bank of China enacted the Measures for the Administration of Automotive Loans and the Measures for the Administration of Automobile Finance Companies, respectively to standardize the management of automotive loan business.

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

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

In relation to the credit risk assessment procedures for the Volvo Retail Financing, Genius AFC utilises a computerised internal risk assessment system, which enables Genius AFC to perform credit risk assessment procedures using big data analytics. For the purpose of risk assessment, the risk department of Genius AFC would set specification rules for the retail products to determine whether or not to accept the loan application of a retail applicant, based on the retail applicant’s earnings,

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## LETTER FROM THE BOARD

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credit history and repayment capability. The risk control committee of Genius AFC would then review and approve the specification rules for the retail products. Based on the evaluation performed by the computerised internal risk assessment system, which is configured and modified by the risk department from time to time, the decisions on whether to grant the loan to the retail applicant would be made by the system and the retail underwriting team of Genius AFC's operation department. The general responsibilities of the underwriting team also include checking the authenticity of, and reviewing, the information and materials provided by the retail applicants, and assessing their credibility in order to make final credit decisions on the loan applications. Upon granting of the loan to a Volvo Retail Customer, the collection team of Genius AFC's operation department would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

Since the commencement of the Volvo Financing Arrangements and up to 30 September 2018, (i) there had been no default in payment from Volvo Dealers under the Volvo Wholesale Financing; and (ii) out of over 13,000 transactions under the Volvo Retail Financing, only 7 transactions were terminated due to Volvo Retail Customer's default in payment. Also, as at 31 December 2017, the non-performing loan (being the loan past due for more than 60 days) rate under the Volvo Wholesale Financing and the Volvo Retail Financing was nil and 0.01%, respectively. As stated in "2017中國汽車金融公司行業發展報告 (the 2017 China Auto Finance Industry Development Report)" issued by 中國銀行業協會汽車金融專業委員會 (the China Banking Association Professional Committee of Auto Finance), the average non-performing loan rate of the auto finance industry was 0.25% as at 31 December 2017. Having considered the small number of default in payments and the low non-performing loan rate of Genius AFC as compared with the industry average, the Directors believe that the credit risk assessments adopted by Genius AFC are adequate and effective.

*(iv) Loan term and credit limit*

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

*(v) Subsidies*

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



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## LETTER FROM THE BOARD

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*(vi) Security*

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

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

*(i) Volvo Wholesale Facility Agreements*

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

*(ii) Volvo Retail Loan Agreements*

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

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

**Volvo Annual Caps**

*Volvo Annual Caps (Wholesale)*

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

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## LETTER FROM THE BOARD

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	Historical transaction amount		Historical transaction amount	Approved annual caps for the year ended/		
	for the year ended		for the seven	ending 31 December		
	31 December		months ended			
	2016	2017	31 July	2016	2017	2018
<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)				
New financing amounts provided by Genius AFC to the Volvo Dealers under the Volvo Wholesale Financing	1,197	3,564	2,688	30,000	37,000	49,000
Utilisation rate of annual caps				4%	10%	5% (Note)

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

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

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

	<b>Proposed annual caps</b>		
	<b>for the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</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	22,275	27,243	30,213

### ***Volvo Annual Caps (Retail)***

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

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## LETTER FROM THE BOARD

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

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

The low utilisation rates of the annual caps for the two years ended 31 December 2017 were primarily due to the lower-than-expected retail financing penetration of the Volvo Retail Financing. During the two years ended 31 December 2017, Genius AFC, which was incorporated in August 2015, was still in an early development stage and in the process of establishing and refining its business processes, sales and marketing capability, customer database and product offerings. Also, it took time and efforts for Genius AFC to introduce and promote the Volvo Wholesale Financing to the Volvo Dealers, and the Volvo Retail Financing to the Volvo Dealers for their onward promotion to the Volvo Retail Customers. The above factors had resulted in the lower-than-expected retail financing penetration of the Volvo Retail Financing during the two years ended 31 December 2017. Notwithstanding the foregoing, with the accumulation of experience, business network, customers and customer database over the past three years, Genius AFC achieved considerable growth in business volume recently. The outstanding amount of loans to dealers and retail customers of Genius AFC had increased from approximately RMB9.6 billion as at 31 December 2017 to approximately RMB14.3 billion as at 30 June 2018. Also, Genius AFC recorded the total income (being the total of net interest income and net fee and commission income) of approximately RMB308 million for the year ended 31 December 2017 and approximately RMB327 million for the six months ended 30 June 2018. It is expected that the retail financing penetration of the Volvo Retail Financing will improve alongside the enhanced competitiveness of Genius AFC and its products in the PRC auto finance industry.

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

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## LETTER FROM THE BOARD

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

### *Basis of determination of the Volvo Annual Caps*

When determining the proposed Volvo Annual Caps (Wholesale), Genius AFC has taken into account (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of Volvo-branded vehicles to the Volvo Dealers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of Volvo Dealers; (iii) the projected average selling price of Volvo-branded vehicles to the Volvo Dealers for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy of Volvo-branded vehicles to retail customers, taking into consideration the proposed marketing incentives to be provided to the Volvo Dealers; and (iv) the estimated wholesale finance coverage of the Volvo Wholesale Financing of 30% for each of the three years ending 31 December 2021. The above wholesale finance coverage represents the estimated percentage of the Volvo Dealers' purchases which will be financed by loans provided by Genius AFC. When estimating the said wholesale finance coverage of the Volvo Wholesale Financing, Genius AFC has taken into account the current status and development of its business, and has also made reference to the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48% as stated in "2017 中國汽車金融公司行業發展報告 (the 2017 China Auto Finance Industry Development Report)" (the "Report") issued by 中國銀行業協會汽車金融專業委員會 (the China Banking Association Professional Committee of Auto Finance). In determining the Volvo Annual Caps (Wholesale), Genius AFC has adopted a wholesale finance coverage of 30% for each of the three years ending 31 December 2021, representing a buffer of 12.52% over the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48%, after taking into account (i) the relationship between Genius AFC and VCDC and VCIC, and that Genius AFC is the preferred partner of VCDC and VCIC; (ii) the development potential of the Volvo Wholesale Financing in light of the subsidies that may be granted to the benefits of the Volvo Dealers for the promotion of the Volvo Wholesale Financing, as well as the promotional activities, incentives and training to be undertaken by Genius AFC and VCDC and VCIC to increase the financing penetration of Genius AFC and the sale of Volvo-branded vehicles in the PRC as stipulated in the Volvo Finance Cooperation Agreements.

When determining the proposed Volvo Annual Caps (Retail), Genius AFC has taken into account (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of Volvo-branded vehicles to the Volvo Retail Customers for each of the three years ending 31 December 2021, which in turn was

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

The Directors (including the independent non-executive Directors) are of the view that the Volvo Annual Caps for the three years ending 31 December 2021 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the renewal of the Volvo Finance Cooperation Agreements**

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

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

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE EV FINANCING ARRANGEMENTS**

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

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## LETTER FROM THE BOARD

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the new energy vehicle subsidies granted by the PRC government in those regions which effectively lower the end customers' purchase price of the Group's electric vehicles and are therefore essential for facilitating the Group's sale of electric vehicles in those regions.

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

### **Date**

5 October 2018 (after trading hours)

### **Parties**

Genius AFC and Geely Holding

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

### **Subject matter**

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

### **Term**

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

### **Termination**

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

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## LETTER FROM THE BOARD

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

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

#### ***(i) Cooperation***

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

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

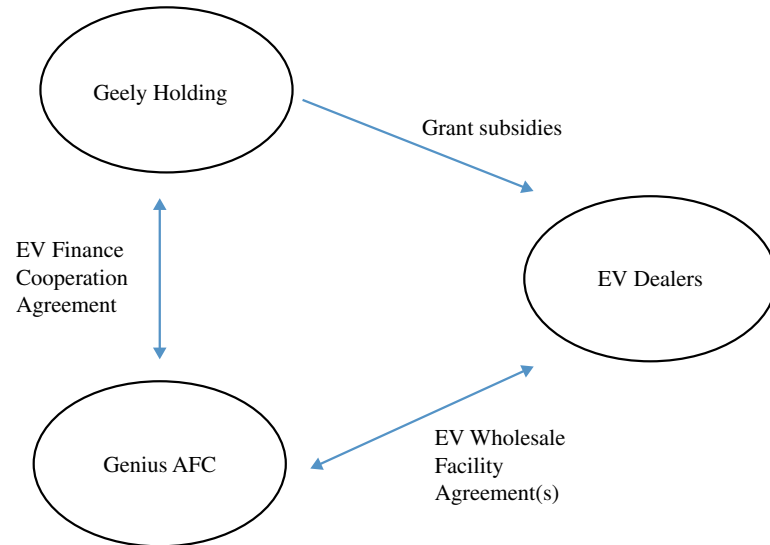
The mode of cooperation between Genius AFC and Geely Holding for the EV Wholesale Financing and EV Retail Financing are summarised as below:

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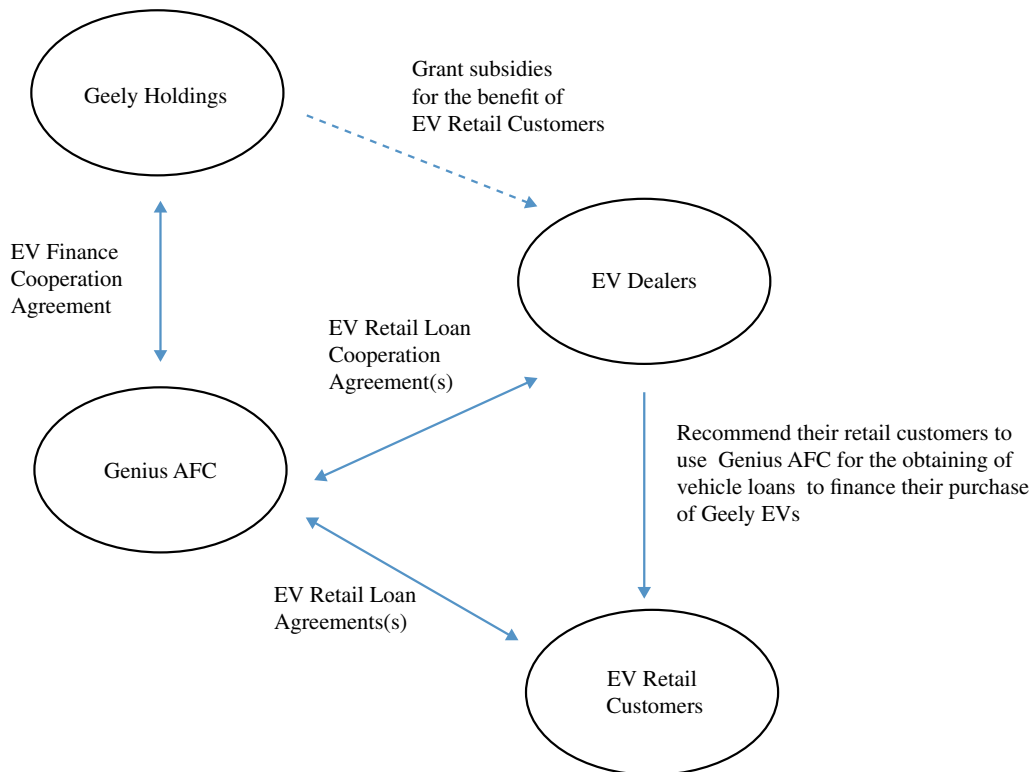
## LETTER FROM THE BOARD

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(1) *EV Wholesale Financing*



(2) *EV Retail Financing*



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



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**(ii) Pricing policy**

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

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

In practice, given that Genius AFC will not be the exclusive provider of financing services to the EV Dealers and the EV Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC will communicate with the EV Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the EV Wholesale Financing and the EV Retail Financing offered by Genius AFC are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures – Internal control within Genius AFC” in this circular for the internal control procedures for determining the pricing of the services provided by Genius AFC.

**(iii) Lending risk**

Genius AFC was primarily regulated by the China Banking Regulatory Commission, whose authority has now been transferred to the newly formed China Banking and Insurance Regulatory Commission. In addition, the People’s Bank of China, and the Ministry of Finance of the PRC also have regulatory oversight of the auto finance industry. The China Banking Regulatory Commission and the People’s Bank of China enacted the Measures for the Administration of Automotive Loans and the Measures for the Administration of Automobile Finance Companies, respectively to standardize the management of automotive loan business.

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

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## LETTER FROM THE BOARD

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For the EV Wholesale Financing and the EV Retail Financing, Genius AFC will adopt similar credit risk assessment and loan approval procedures as those for the Volvo Wholesale Financing and the Volvo Retail Financing. Please refer to the paragraph headed “Continuing connected transactions in relation to the Volvo Financing Arrangements – Principal terms regarding the mode of cooperation between (i) Genius AFC; and (ii) VCDC and VCIC – (iii) Lending risk” for further details.

*(iv) Loan term and credit limit*

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

*(v) Subsidies*

Genius AFC will provide financing to all the EV Dealers according to the sales objectives and regional coverage agreed with Geely Holding. Geely Holding may from time to time offer EV Dealers support with their vehicle financing and stocking costs and may choose to pay the interest accruing under the relevant EV Wholesale Facility Agreements on the EV Dealers’ behalf for an agreed period of time. In practice, Geely Holding will provide subsidies to (i) the EV Dealers who enter into the EV Wholesale Facility Agreements with Genius AFC for the EV Wholesale Financing; and (ii) the EV Dealers who enter into the EV Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the EV Retail Financing, subject to the final assessment of the market situation (such as sales performance of the Geely EVs) by Geely Holding. The terms and period of such subsidies will be determined by Geely Holding in its quarterly sales incentive policies.

*(vi) Security*

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

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

*(i) EV Wholesale Facility Agreements*

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

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*(ii) EV Retail Loan Agreements*

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

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

### **EV Annual Caps**

#### *EV Annual Caps (Wholesale)*

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

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</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 EV Dealers under the EV Wholesale Financing	3,276	5,406	3,626

#### *EV Annual Caps (Retail)*

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

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	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</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 EV Retail Customers under the EV Retail Financing	2,511	4,834	3,705

### *Basis of determination of the EV Annual Caps*

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

When determining the proposed EV Annual Caps (Retail), Genius AFC has taken into account (i) the historical sales volume and average selling price of Geely EVs to the EV Retail Customers; (ii) the projected number of unit sales of Geely EVs to the EV Retail Customers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of the EV Dealers, and the sales volume projection of the EV Dealers; (iii) the projected average retail selling price of Geely EVs for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy for the Geely EVs to retail customer; and (iv) the estimated retail financing penetration of the EV Retail Financing of 30%, 35% and 40% for each of the three years ending 31 December 2021, respectively. The above retail financing penetration

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

The Directors (including the independent non-executive Directors) are of the view that the EV Annual Caps for the three years ending 31 December 2021 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the EV Finance Cooperation Agreement**

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

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

### **RELEVANT INTERNAL CONTROL MEASURES**

#### **Internal control within Genius AFC**

All loan and product pricing proposals (including any subsequent modifications thereof) are prepared by Genius AFC's sales and marketing department. In order to ensure that the pricing policies as stipulated in the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement are adhered to, the finance department of Genius AFC will monitor the fluctuations of interest rates in the market on at least a monthly basis (or more frequently if it is determined necessary), which include, among others, the PBOC base lending rates, so as to ensure that the interest rates offered by Genius AFC will be higher than the PBOC base lending rates for similar types of loans under similar terms and conditions. In addition, Genius AFC's sales and marketing department will communicate with the Dealers on an ongoing basis to ensure that the terms of the Wholesale Facility Agreements and the Retail Loan Agreements are in line with the general auto finance market practice. The finance department of Genius AFC will prepare reports on market interest rates and review these reports in a finance committee meeting at least monthly (or more frequently if

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## LETTER FROM THE BOARD

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it is determined necessary). These reports are distributed to sales and marketing department, finance department, operation department, risk department, legal and compliance department and information technology department of Genius AFC for review whenever necessary. All loan and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by Genius AFC's finance department (which is responsible for keeping abreast of market interest rates, including but not limited to the PBOC base lending rates, Shanghai interbank offered rates, and interest rates of bank note, asset-backed securities, financial bond and other financial instruments, and ensuring product pricing proposals are in line with the overall financial planning and budget), operation department (which is responsible for ensuring operational feasibility by assessing whether the existing manpower, software system, standard and procedures and other internal resources are sufficient and comprehensive enough for the product pricing proposals, and considering whether training is required for Genius AFC's staff on any new product pricing proposals), risk department (which is responsible for assessing whether the product pricing proposals are acceptable from risk perspective), legal and compliance department (which is responsible for ensuring the loan and product pricing proposals comply with applicable law and regulations), and information technology department (which is responsible for making the necessary changes or enhancement to the existing software systems in respect of the Wholesale Financing and the Retail Financing to support any new loan and product pricing proposals if the existing software system is insufficient to satisfy the operational requirements of the new loan and product pricing proposals). The loan and product pricing proposals will then be submitted to the sales and marketing committee for final approval. Such committee includes the general manager of Genius AFC, the chief financial officer of Genius AFC, the respective heads of risk, sales and marketing, operation, and finance departments.

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

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

### **Internal control within the Group**

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

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## LETTER FROM THE BOARD

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

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

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

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

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

Furthermore, as disclosed in the Company's interim report for the six months ended 30 June 2018, the Group announced and started to implement its new energy vehicle strategy named "Blue Geely Initiatives" in November 2015, which is a 5-year campaign demonstrating the Group's dedication to transforming into the industry leader in new energy vehicle technologies. The initiative's target is to ensure that up to 90% of the Group's total sales volume would be in the form of new energy vehicles by 2020. As disclosed in the Company's announcement dated 5 October 2018 in relation to the entering into of the Electric Vehicle Agreement among the Company, Geely Holding and GGL, the Group has been selling electric vehicles manufactured by it through the Geely Holding Group in certain regions of the PRC as only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in those regions which effectively lower the end customers' purchase price of the Group's electric vehicles and are therefore essential for facilitating the Group's sale of electric vehicles in those regions. The EV Finance Cooperation Agreement entered into between Genius AFC and Geely Holding is for the provision of vehicle financing services by Genius AFC to the EV Dealers and the EV Retail Customers for their purchase of electric vehicles (that is, Geely EVs) to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement. Therefore, the entering into of the EV Finance Cooperation Agreement will also benefit the Group by promoting the sale of Geely EVs in the PRC. As at the Latest Practicable Date, the Board was not aware of any disadvantages for the Company in the renewal of the Volvo Finance Cooperation Agreements and the entering into of the EV Finance Cooperation Agreement.

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## LETTER FROM THE BOARD

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The Board (including the independent non-executive Directors) is of the view that the terms of the Volvo Financing Arrangements (including the Volvo Annual Caps) and EV Financing Arrangements (including the EV Annual Caps) were negotiated on an arm's length basis and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

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

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

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

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

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

Mr. Li and his associates together holding 3,987,588,000 Shares (representing approximately 44.41% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,200,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together



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## LETTER FROM THE BOARD

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holding 16,280,000 Shares (representing approximately 0.18% 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 (i) the renewal of Volvo Finance Cooperation Agreements (including the Volvo Annual Caps), (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) for the three years ending 31 December 2021.

### **EGM**

The EGM will be convened to consider and approve (i) the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps), (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps), for the three years ending 31 December 2021. A notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Friday, 7 December 2018 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 (i) the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the transactions contemplated thereunder; and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder 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.

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 35 to 71 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 33 to 34 of this circular.

The Board (including the independent non-executive Directors) considers that, the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps) are entered into 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 ordinary resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 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 33 to 34 and pages 35 to 71 of this circular. Additional information is also set out in the appendix 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 Independent Shareholders in relation to the Volvo Financing Arrangements and the EV Financing Arrangements 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)

20 November 2018

*To the Independent Shareholders,*

Dear Sir or Madam,

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

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

We refer to the circular dated 20 November 2018 (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 terms of (i) the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the transactions contemplated thereunder; and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 32 of the Circular and the letter from the Independent Financial Adviser as set out on pages 35 to 71 of the Circular which contains, inter alia, their advice and recommendation to us regarding the terms of (i) the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the transactions contemplated thereunder; and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder with the principal factors and reasons for those advice and recommendation.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that, the terms of the (i) the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) are on normal commercial terms, and the transactions contemplated under (i) and (ii) are entered into in the ordinary and usual course of business of the Group and they are fair and reasonable and in the interests of the 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 (i) the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps); and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps).

Yours faithfully,

For and 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**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



20 November 2018

*To: the Independent Board Committee and the Independent Shareholders of  
Geely Automobile Holdings Limited*

Dear Sirs,

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

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Volvo Financing Arrangements (the “**Volvo Financing Renewal**”) (including the Volvo Annual Caps) and the EV Financing Arrangements (including the EV Annual Caps), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 November 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless defined otherwise in this letter.

Reference is made to the Company’s announcement dated 11 December 2015 in relation to the Volvo Finance Cooperation Agreements pursuant to which Genius AFC agreed to provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers in the PRC. 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 approvals 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. The maximum new financing amounts to be provided by Genius AFC to the Volvo Dealers are subject to the Volvo Annual Caps (Wholesale), which for the three years ending 31 December 2019, 2020 and 2021 are proposed to be RMB22.3 billion, RMB27.2 billion and RMB30.2 billion, respectively. The maximum new financing amounts to be provided by Genius AFC to the Volvo Retail Customers are subject to the Volvo Annual Caps (Retail), which for the three years ending 31 December 2019, 2020 and 2021 are proposed to be RMB11.6 billion, RMB14.2 billion and RMB15.7 billion, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, on 5 October 2018, Genius AFC and Geely Holding entered into the EV Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the EV Dealers and the EV Retail Customers for their purchases of the Geely EVs to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement. The maximum new financing amounts to be provided by Genius AFC to the EV Dealers are subject to the EV Annual Caps (Wholesale), which for the three years ending 31 December 2019, 2020 and 2021 are proposed to be RMB3.3 billion, RMB5.4 billion and RMB3.6 billion, respectively. The maximum new financing amounts to be provided by Genius AFC to the EV Retail Customers are subject to the EV Annual Caps (Retail), which for the three years ending 31 December 2019, 2020 and 2021 are proposed to be RMB2.5 billion, RMB4.8 billion and RMB3.7 billion, 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, VCDC is wholly owned by Volvo, an indirect 99% owned subsidiary of Geely Holding, and VCIC is owned as to (i) 50% by Volvo; and (ii) 50% by Geely Holding, which in turn is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company. 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.

As stated in the Letter from the Board, although the Volvo Dealers and the Volvo Retail Customers, who are parties to the Volvo Wholesale Facility Agreements and the Volvo Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the Volvo Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Volvo Dealers and the Volvo Retail Customers will use the loans provided by Genius AFC to purchase vehicles from VCDC and VCIC, who are connected persons of the Company under the Listing Rules. Similarly, although the EV Dealers and the EV Retail Customers, who are parties to the EV Wholesale Facility Agreements and the EV Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the EV Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the EV Dealers and the EV Retail Customers will use the loans provided by Genius AFC to purchase electric vehicles from Geely Holding (i.e. the Geely EVs), who is a connected person of the Company under the Listing Rules. As the applicable percentage ratios for the Volvo Annual Caps and the EV Annual Caps on an aggregated basis exceed 5% annually, the renewal of the Volvo Finance Cooperation Agreements and the entering into of the EV Finance Cooperation Agreement are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on whether (i) the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the transactions contemplated thereunder; and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders. We, Dakin Capital Limited ("**Dakin Capital**"), have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Dakin Capital did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Dakin Capital. Apart from acting as the Independent Financial Adviser, we also acted three times as an independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders during the last two years and up to the date hereof. The date of the first relevant circular containing our letter of advice was 8 December 2017 and the natures of the transactions set out therein were (i) discloseable and connected transactions in relation to certain acquisitions; (ii) continuing connected transactions upon completion of the said acquisitions; and (iii) further revision of annual caps for the transactions contemplated under the services agreement dated 27 November 2009 entered into between the Company and Geely Holding. The other two relevant circulars dated 18 August 2018 and 20 November 2018 containing our letters of advice regarded (i) continuing connected transactions in relation to certain sale and purchase transactions; and (ii) discloseable and connected transactions in relation to certain acquisitions, respectively. Apart from normal professional fees paid or payable to us in connection with such appointments as an independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the relevant transactions that could reasonably be regarded as relevant to our independence. Accordingly, we consider that such business relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Geely Holding, BNPP PF, Genius AFC or any of their respective subsidiaries or associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Volvo Financing Renewal (including the Volvo Annual Caps) and the EV Financing Arrangements, we have taken into account the following principal factors and reasons:

#### 1. BUSINESS OVERVIEW OF THE GROUP

##### 1.1 Principal business activities and expansion strategies

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

As confirmed by the Company, it has always been the business strategies of the Group to explore potential business opportunities arising from the expected growth in the overall PRC automobile industry and strive to capture these opportunities and promote business expansion. In particular, as one of its business strategies, in 2013, the Company entered into a 80/20 joint venture with BNPP PF for business expansion into the PRC auto financing market (the “**Joint Venture**”), thereby strengthening the competitiveness and overall market position of the Group in the PRC automobile industry. Please refer to the Company’s announcement dated 16 December 2013 for details of the Joint Venture (the “**2013 JV Announcement**”).

Since September 2015, the Group has been conducting its auto finance business through Genius AFC with the initial target vehicles being Geely-branded passenger vehicles, and subsequently expanded to include Volvo-branded vehicles and LYNK & CO-branded vehicles, details of which are set out in the Company’s annual report for the financial year ended 31 December 2015 and circulars dated 28 January 2016 and 8 December 2017, respectively. Genius AFC is a non-bank financial institution established under the Joint Venture in August 2015 in accordance with 《汽車金融公司管理辦法》 (the Administrative Measures for Auto Finance Companies) (the “**Auto Finance Administrative Measures**”) with the approval of China Banking Regulatory Commission (“**CBRC**”). It is stated in the Company’s interim report for the six months ended 30 June 2018 (the “**2018 Interim Report**”), the core business of Genius AFC is the provision of auto wholesales financing solutions to auto dealers, and retail financing solutions to end customers, mainly supporting the three key auto brands in the Geely Holding Group, namely “Geely” “LYNK & CO” and “Volvo Car”. As confirmed by the management of Genius AFC, Genius AFC has obtained all necessary approvals, permits and licenses for carrying out its business operation in the PRC as at the Latest Practicable Date, and they are not aware of any record of non-compliance with the relevant laws and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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regulations in the PRC, including the Auto Finance Administrative Measures and the Auto Loan Management Measures (as defined in the paragraph headed “Industry Outlook – Auto finance market in the PRC” below), on Genius AFC since its incorporation.

Furthermore, according to the Company’s circular dated 11 November 2016, the Group had launched its first electric vehicle in February 2016 in view of the development potential in the medium to high-end new energy vehicle market in the PRC. Since then, the Group has been engaging in sales of its electric and new energy vehicles (the “**Geely EV Models**”) through the Geely Holding Group in the PRC (the “**EV Sales Arrangement**”) for the purpose of enabling the Group to gain competitive edge through the benefit of the relevant grant introduced by the PRC government, details of which are set out in the paragraph headed “Industry Outlook – Automobile industry in the PRC” below. In particular, in view of the upcoming expiry of the electric vehicle agreement dated 13 November 2015 entered into between the Company and Geely Holding, on 5 October 2018 (after trading hours), the Company, Geely Holding and GGL entered into the Electric Vehicle Agreement for a term of three years from 1 January 2019 to 31 December 2021. For further details of the Electric Vehicle Agreement, please refer to the circular of the Company dated 20 November 2018. Such expansion strategy adhered to the Group’s new energy vehicle strategy named “Blue Geely Initiatives” announced in November 2015, which is a 5-year campaign adopted by the Group with an initiative target of up to 90% of the Group’s total sales volume to be in the form of new energy vehicles by 2020 as detailed in the Company’s interim report for the six months ended 30 June 2016.

### 1.2 Recent performance

Set out below are the interim results of the Group for the six months ended 30 June 2018 as extracted from the 2018 Interim Report:

	For the six months ended		Period-on-period change
	30 June		
	2018	2017	
	RMB'000	RMB'000	%
	(unaudited)	(unaudited)	
Revenue	53,708,605	39,423,646	36.2
Gross profit	10,837,269	7,554,132	43.5
Profit for the period	6,735,898	4,386,388	53.6

As depicted by the table above, the Group recorded a significant increase in revenue of approximately 36.2% for the six months ended 30 June 2018 as compared to the same period in the prior year. The Group’s gross profit and profit for the period also recorded substantial increases from 2017 to 2018. According to the 2018 Interim Report, the aforesaid growth was mainly due to (i) the strong sales performance of the Group’s sedan and sport utility vehicle (“SUV”) models; and (ii) the improvement in gross profit margin ratio due to better product mix (i.e. higher proportion of higher margin models) and economies of scale.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the 2018 Interim Report, new energy vehicles would be the Group's focus in new products offering in 2018, during which new energy vehicles have been and will be added to all the Group's major lines. This aimed at catering for various market segments including the SUV market and different customer purchasing preference on product specifications. During the first half of 2018, the Group had launched one new energy vehicle model, namely "Borui GE" (with both mild hybrid electric vehicle version and plugin-hybrid-electric version), and one new crossover electric vehicle model, namely, "Emgrand GSe" in the PRC, which had received strong market acceptance and their sales performance well exceeded the expectation of the Company's management. For the six months ended 30 June 2018, the Group's sales of new energy vehicle models amounted to 14,362 units, up by approximately 71% from the same period in 2017. With an aim to further speed up the pace of new energy vehicle products offering for most of its major vehicle model lines, the Group will continue to increase its new model offerings in the new energy sector with two additional new electric vehicle models expected to be launched during the second half of 2018 (together with "Borui GE" and "Emgrand GSe", the "2018 New EV Models"). As advised by the management of the Company, several new energy vehicle models including SUV, sedan and multi-purpose vehicle are expected to be launched in the coming three years.

With reference to the 2018 Interim Report, Genius AFC's auto finance business registered significant growth in the first half of 2018 with its total loan book growing approximately 48% from the end of 2017 to approximately RMB14.3 billion by 30 June 2018. It is also stated that, with a healthy level of interest rate spread and a low non-performing loan percentage of approximately 0.04% as a result of effective risk control by 30 June 2018, Genius AFC achieved good earnings performance in the first half of 2018 with net profit increasing by approximately 236% year-on-year to approximately RMB90.8 million. We also noted that a capital injection of RMB1.1 billion had been made by the relevant parties of the Joint Venture in early 2018 to support the continued growth of Genius AFC's auto finance business, of which RMB880 million was contributed by the Company on a pro-rata basis according to its 80% shareholding interests in Genius AFC. As a result, Genius AFC's registered capital increased from RMB900 million to RMB2 billion in early 2018.

## 2. REASONS FOR AND BENEFITS OF THE VOLVO FINANCING ARRANGEMENTS AND THE EV FINANCING ARRANGEMENTS

### 2.1 Industry Outlook

Both the Volvo Financing Arrangements and the EV Financing Arrangements form parts of the Group's business expansion strategies to capture the business opportunities arising from the expected growth in the automobile industry and the auto finance market in the PRC.

#### (i) *Automobile industry in the PRC*

##### *Overview of national policies and measures supporting the PRC automobile industry*

Automobile industry is regarded as one of the important pillars of the national economy in 《汽車產業中長期發展規劃》(the Medium and Long-term Development Plan for the Automotive Industry) jointly issued by the Ministry of Industry and Information Technology, the National Development and Reform Commission and the

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Ministry of Science and Technology on 25 April 2017 (the “**Plan**”). To promote the PRC automobile industry, the Plan envisages the PRC becoming a top automobile country in the world over the next ten years. In particular, the Plan aims to have several top ten (i) new-energy automobile companies of the world by 2020; (ii) automobile sellers of the world by 2025; and (iii) automobile parts companies of the world by 2025. The Plan designates the new-energy automobile as one of the key areas to develop.

In addition to the Plan, to support its commitment to encourage the development of the electric and new energy vehicles market, the PRC government has also implemented a series of other supporting policies and measures in promoting electric and new energy vehicles. For instance, along with (i) the implementation of 《節能與新能源汽車產業發展規劃 (2012-2020)》 (The Development Plan of Energy Saving and New Energy Vehicles Industry (2012-2020)) by the State Council of the PRC to promote and develop the domestic energy-saving and new energy vehicle industry with a sales target of five million new energy vehicles to be sold by 2020; and (ii) the emphasis placed on boosting technological innovations in the manufacturing of new energy vehicles and promoting the use of electric cars, plug-in hybrids and fuel cell vehicles, included in its latest Five-Year Plan, the PRC government has introduced a grant towards the sale of electric vehicles in the PRC (the “**PRC Government Grant**”) to encourage and promote the use and development of new energy vehicles in the PRC. It is noted that the PRC Government Grant is generally calculated on a per-unit basis based on the number of electric vehicles sold by the PRC corporates with possession of the automobile products catalogue issued by the National Development Reform and Commission of the PRC (the “**Automobile Products Catalogue**”), which is required to facilitate the obtaining of the PRC Government Grant. The supporting targets of the PRC Government Grant are the end customers of new energy vehicles in the PRC. The Company confirmed that none of the members of the Group is currently in possession of the Automobile Products Catalogue and it would not be practical at present for the Group to apply for such accreditation. On the other hand, certain subsidiaries of the Geely Holding Group have already been approved as automobile manufacturers in the PRC with the relevant Automobile Products Catalogue and therefore are already eligible for the PRC Government Grant. According to the Letter from the Board, the Group has been selling electric vehicles manufactured by it through the Geely Holding Group in certain regions of the PRC as only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in those regions which effectively lower the end customers’ purchase price of the Group’s electric vehicles and are therefore essential for facilitating the Group’s sale of electric vehicles in those regions.

On 27 December 2017, four ministries of the People’s Republic of China, namely, the Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Science and Technology and State Administration of Taxation jointly issued an announcement of continuing to waive purchase taxes on new energy vehicles for the next three years, effective from 1 January 2018 to 31 December 2020, to encourage green transportation and boost sales of the new energy vehicles. This was an extension of a purchase tax waiver that was raised out in 2014 as part of measures to reduce

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energy consumption. The tax exemption covers fully electric, hybrid and fuel-cell vehicles. The PRC government will continue to add new energy vehicles models to the list of cars eligible for the tax exemption, if the new energy vehicles model meets a set of technical, quality, safety and efficiency standard.

Recently, the State Council of the People's Republic of China issued the "Three-Year Action Plan to Win the Blue Sky Defense War" 《打贏藍天保衛戰三年行動計劃》 (the "**Three-Year Action Plan**") on 3 July 2018 to speed up the upgrade of the structure of vehicles for the development of the green transportation system which, in turn, is expected to promote the use of new energy vehicles in the PRC. The Three-year Action Plan stated that in 2020, the production and sales volume of new energy vehicles will reach 2 million units per year in the PRC.

It is evident that the PRC government has been making a concerted effort to stimulate the development and use of electric and new energy vehicles in the PRC and sustain the continuous growth in demand for electric and new energy vehicles. It is believed that the milestones in the PRC government's support for the electric and new energy vehicles market has clearly demonstrated the PRC government's dedication to the overall market development. Further, the growing trend of the sales of electric and new energy vehicles in the PRC throughout the years has reinforced the Directors' belief that the abovementioned plans and policies adopted by the PRC government will continue to have positive impacts on the overall development of the electric and new energy vehicles market. Also, it is expected that the prevailing market conditions will enable the sale of the Group's electric vehicle and new energy vehicles to keep up with the growth momentum and continue to achieve positive sales performance for the rest of the year 2018 and the three years ending 31 December 2021.

### *Overview of industry performance*

According to the China Association of Automobile Manufacturers (the "CAAM"), a non-profit social organisation founded in Beijing in 1987 with the approval of the Ministry of Civil Affairs of the PRC which consists of enterprises and institutions engaging in the production and management of automobiles, automobile parts and vehicle-related industries in the PRC and is formed for the purpose of developing and promoting the PRC automobile industry and the implementation of national principles and policies relating to the PRC automobile industry, the sales volume of passenger vehicles in the PRC grew from approximately 13.8 million units in 2010 to approximately 25.0 million units in 2017, representing an increase of approximately 81.2%. For the first seven months in 2018, the sales of passenger cars were approximately 19.5 million units, up approximately 3.4% year-on-year. CAAM also announced that the sales of new energy vehicles (consisting of electric vehicles and hybrid electric vehicles) increased to approximately 777,000 units in 2017, representing a year-on-year increase of approximately 53.3%. For the first seven months of 2018, new energy vehicles sold in the PRC amounted to approximately 496,000 units, representing a year-on-year growth of 97.1%.

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According to the General Administration of Customs of the PRC, the number of imported vehicles grew from approximately 134,000 vehicles in July 2014 to approximately 165,000 vehicles in July 2018, representing an increase of approximately 23.1%. The sales volumes of imported vehicles from Japan and Europe increased significantly in July 2018, in particular sales volume of imported Volvo-branded vehicles increased by approximately 9.2% compared to July 2017. The imported vehicles are expected to continue to achieve positive sales performance in the PRC given the 10% slash in the tariffs on imported vehicles (that is reducing the import duties on passenger vehicles from 25% to 15%) with effect from 1 July 2018 as announced by the Ministry of Finance in May 2018, giving a potential boost to the sales of imported vehicles (including the imported Volvo-branded vehicles).

*(ii) Auto finance market in the PRC*

According to the legal opinion from the PRC legal adviser of Genius AFC, namely Grandall Law Firm (Shanghai) (the “**PRC Legal Opinion**”), the establishment of auto finance companies in the PRC is regulated by the Auto Finance Administrative Measures issued by the CBRC and the People’s Bank of China (“**PBOC**”). The PRC Legal Opinion also states that the business operation of auto finance companies in the PRC (including Genius AFC) must comply with 《汽車貸款管理辦法》 (the Measures for the Management of Auto Loan) that were promulgated by CBRC and PBOC which became effective on 1 January 2018 (the “**Auto Loan Management Measures**”). The Auto Loan Management Measures set out certain compliance and risk management measures in relation to the operation of auto loan companies including, but not limited to, maintaining levels of specified financial ratios at all times and reporting to the CBRC. In addition, the Ministry of Finance of the PRC also has regulatory oversight of the auto finance industry.

As stated in the 2017 China Automobile Financing Companies Industry Development Report 《2017年度中國汽車金融公司行業發展報告》 (the “**Report**”) 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), leveraging on the expansion of the PRC automobile industry, the auto finance market has been developing rapidly over the past years. According to the management of Genius AFC, it is not uncommon for the PRC automobile companies having established auto finance subsidiaries or associated companies to provide auto finance services to their customers which is considered to be in line with the practice of major global automobile companies. It is also stated that there were 25 approved auto finance companies in the PRC as at the end of 2017 with total assets of approximately RMB744.7 billion, representing an increase of approximately 30.0% as compared to the prior year.

With reference to the Report, the main business activities of auto finance companies in the PRC are wholesale finance (i.e. provision of funding support to dealers for establishment of vehicle inventory) and provision of retail loans. In 2017, the wholesale loans were offered to approximately 5.1 million vehicles of dealerships, representing an increase of approximately 0.5 million units or 10.3% as compared to the prior year. In the same year, an increase of approximately 1.4 million units or 32.3% as compared to the prior year was recorded for the retail loans offered by auto finance companies, reaching approximately 5.7 million vehicles.

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The Report forecasted that as benefit from the rapid growth of the sales of vehicles in the PRC, the demand for the auto financing will be further increased; moreover there is still room for fast-growing expansion in the PRC auto finance market given the estimated year-end overall finance coverage of the PRC auto finance market of about 40% for 2017 (the “**2017 Market Overall Finance Coverage**”).

### **2.2 Benefits of the Volvo Financing Arrangements and the EV Financing Arrangements**

Amid the growth stage of its business, Genius AFC will require different strategies (including expansion of clientele and target vehicle portfolio) when it comes to market penetration, business development, and retaining market share. On this basis, the Volvo Financing Renewal and the entering into of the EV Financing Arrangements are considered by the Company to be an integral part of its business growth plan devised for Genius AFC.

As stated in the Letter from the Board, being part of the principal terms regarding the mode of cooperation stipulated in both the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement, Genius AFC shall provide financing to all the Volvo Dealers and the EV Dealers (subject to satisfactory lending risk assessments and credit risk assessments to be performed by Genius AFC) according to their respective sales objectives and regional coverage agreed with VCDC, VCIC or Geely Holding (as the case may be). The management of Genius AFC confirmed to us that as at the Latest Practicable Date, there were a total of (i) 35 Volvo Dealers mainly covering Sichuan Province, Guangdong Province, Jiangsu Province, Fujian Province, Guizhou Province and Shaanxi Province, and the other areas in the PRC in respect of the Volvo Wholesale Financing, with an aggregate sales targets amounted to over 16,000 units of the Volvo-branded vehicles for the year ending 31 December 2018; and (ii) 148 Volvo Dealers covering more than 16 provinces in the PRC (including the abovementioned provinces as well as Beijing and other provinces in the PRC) in respect of the Volvo Retail Financing. Likewise, it is the current expectation of the management of Genius AFC that the numbers of the EV Dealers involved under the EV Wholesale Financing and the EV Dealers under the EV Retail Financing will increase significantly over the next few years according to their latest development plan. The management of Genius AFC further confirmed that there will be no restriction imposed on the coverage on the dealership network, sales area and vehicle types for both Volvo Financing Arrangements and EV Financing Arrangements for each of the three years ending 31 December 2021, which, in the view of the Directors, would facilitate Genius AFC to achieve its target finance penetration under the Volvo Financing Arrangements and the EV Financing Arrangements.

Given (i) the intended dealership network and the coverage area as discussed above; and (ii) the Volvo Sale and Marketing Strategies and the EV Sale and Marketing Strategies (as defined in the paragraphs headed “Principal terms of the Volvo Finance Cooperation Agreements – Cooperation” and “Principal terms of the EV Finance Cooperation Agreement – Cooperation” below) to be put in place aimed at increasing the finance penetration of Genius AFC and the sales of Volvo-branded vehicles and Geely EVs in the PRC, it is the belief of the Directors that besides creating a diversified income stream for Genius AFC, the EV Financing Arrangements alongside the Volvo Financing Arrangements will facilitate and expedite the establishment of Genius AFC’s market recognition as well as the overall penetration in the fast-growing PRC auto finance market, which in turn would enhance the Group’s market presence and competitiveness in the PRC automobile industry.

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As highlighted by the Company, the EV Sales Arrangement adopted by the Group is actually relevant to its auto finance business undertaken through Genius AFC based on the fact that the vehicle financing services to be provided by Genius AFC to the EV Dealers and the EV Retail Customers under the EV Financing Arrangements is for their purchases of the Geely EVs to be sold to the Geely Holding Group by the Group under the EV Sales Arrangement. Accordingly, the entering into of the EV Financing Arrangements are therefore expected to help promote and stimulate the sales of the Geely EVs in the PRC and to be beneficial for the Group as a whole in this respect; moreover, it adheres to the Company's expectation that the establishment of Genius AFC was anticipated to provide an opportunity for the Group to promote the sales of its passenger vehicles in the PRC as stated in the 2013 JV Announcement. All in all, there are exciting opportunities for the two businesses (i.e. automobile business and auto finance business) to work together to develop their respective products/services and exploit operational synergies.

### 3. VOLVO FINANCING ARRANGEMENTS

#### 3.1 Principal terms of the Volvo Finance Cooperation Agreements

(i) *Date*

11 December 2015

(ii) *Parties*

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

Both VCDC and VCIC are limited liability companies incorporated under the laws of the PRC with their respective principal business activities being distribution of imported Volvo-branded vehicles and domestically manufactured Volvo-branded vehicles respectively, both in the PRC.

(iii) *Subject matter*

The Volvo Finance Cooperation Agreement (Imported Vehicles) and the Volvo Finance Cooperation Agreement (Domestic Vehicles) set out the terms under which Genius AFC will supply vehicle financing services to the Volvo Dealers and the Volvo Retail Customers for imported Volvo-branded vehicles and domestically manufactured Volvo-branded vehicles, respectively. 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.

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*(iv) Term*

The Volvo Finance Cooperation Agreements shall have an initial term of three years, and shall then continue unless and until terminated by either party by giving at least six months written notice. Such continuation/renewal shall be approved by (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.

As stated in the Letter from the Board, the condition precedent is to ensure that the Volvo Finance Cooperation Agreements will only be renewed upon the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules having been complied with.

The Company confirmed that as at the Latest Practicable Date, neither VCDC nor VCIC had given a written termination notice to Genius AFC, and vice versa. Subject to the obtaining of the said approvals, the relevant parties propose to renew the Volvo Finance Cooperation Agreements for a successive term of three years following the expiration of the initial three-year term, i.e. from 1 January 2019 to 31 December 2021.

*(v) 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.

*(vi) Cooperation*

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



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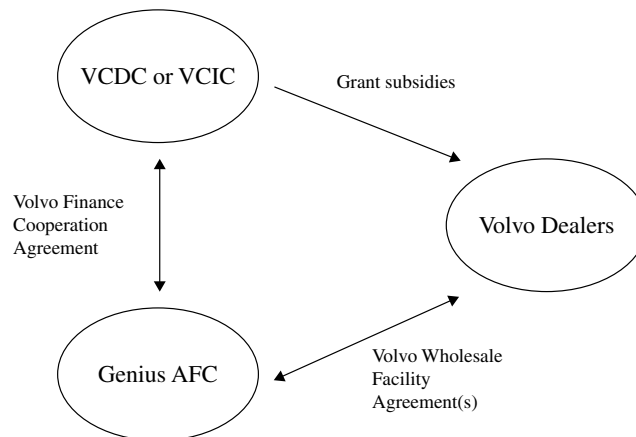
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**Subsidies**”); and (c) for a Volvo Dealer who is covered by the Volvo Retail Financing, promote the Volvo Retail Financing to the Volvo Retail Customers (the “**Volvo Retail Subsidies**”).

Genius AFC shall 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, shall another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC shall be the preferred partner of VCDC and VCIC for the provision of vehicle financing services (the “**Volvo Preferred Partnership Provision**”).

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

(1) *Volvo Wholesale Financing*

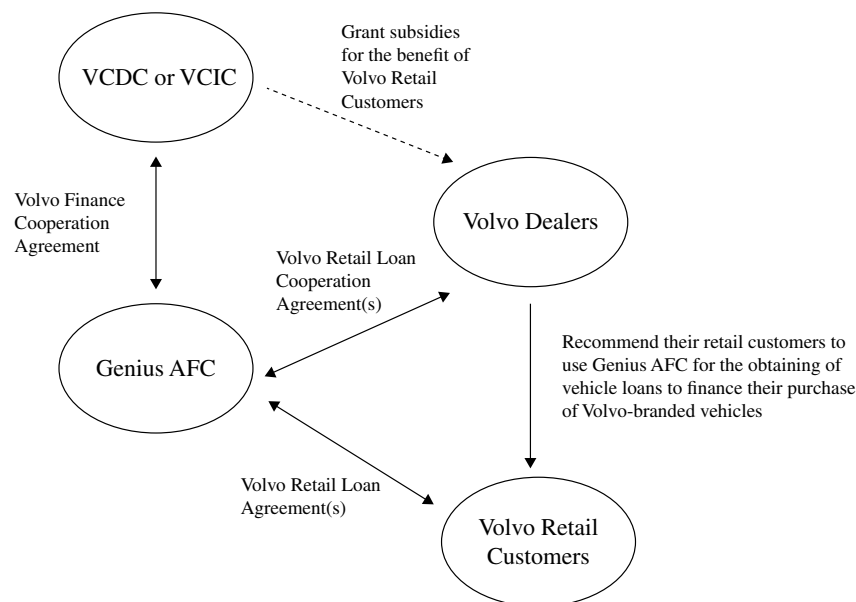


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### (2) *Volvo Retail Financing*



Pursuant to the Volvo Finance Cooperation Agreements, the parties have agreed to work together to undertake promotional activities, incentives and training to increase the finance penetration of Genius AFC and sale of Volvo-branded vehicles in the PRC (the “**Volvo Sale and Marketing Activities**”, and together with the Volvo Wholesale Subsidies and the Volvo Retail Subsidies, collectively hereinafter referred to the “**Volvo Sale and Marketing Strategies**”).

#### (vii) *Pricing policy*

Genius AFC would enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers for the provision of the Volvo Wholesale Financing and the Volvo Retail Loan Agreements with the Volvo Retail Customers for the provision of the Volvo Retail Financing. Genius AFC shall 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 shall be in line with general auto finance market practice. Notwithstanding the foregoing, Genius AFC shall remain the sole decision maker for the final pricing of the services to be applied to the Volvo Dealers and the Volvo Retail Customers.

The Volvo Finance Cooperation Agreements provide guidance with respect to the interest rates charged by Genius AFC for the provision of the Volvo Wholesale Financing to the Volvo Dealers and the Volvo Retail Financing to the Volvo Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC to the Volvo Dealers and the Volvo Retail Customers shall be higher than the base lending rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

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In practice, given that Genius AFC is not the exclusive provider of financing services to the Volvo Dealers and the Volvo Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC would communicate with the Volvo Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the Volvo Wholesale Financing and the Volvo Retail Financing offered by Genius AFC are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures” set out in the Letter from the Board for details of the internal control procedures for determining the pricing of the services provided by Genius AFC.

In order to better understand the rules and regulations in the PRC in respect of lending interest rate of auto finance companies, we have confirmed with the management of Genius AFC, and ascertained by the PRC Legal Opinion, and are given to understand that the Auto Loan Management Measures used to be the key reference for lending interest rate. However, in October 2004, the PBOC released 《中國人民銀行關於調整金融機構存、貸款利率的通知》 (the Notice of the People’s Bank of China on Adjusting Deposits and Lending Rates of Financial Institutions) pursuant to which the upper limit on lending interest rates by financial institutions was abolished. Also, the PBOC released an announcement in July 2013 to loosen the control on lending rates of financial institutions, to cancel the lower limit of lending interest rates of financial institutions. Nevertheless, according to 《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》 (the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases) (the “**Lending Provisions**”) which has become effective in 2015 that if the annual interest rate stipulated by the lenders and the borrowers does not exceed 24%, the PRC courts will support the lender’s request for the borrower to pay such interest. In light of the above, we are advised by the management of Genius AFC, and based on the PRC Legal Opinion that under the PRC rule and regulations, the maximum annual lending interest rate for private lending is 24%. The PRC Legal Opinion further states that (i) although the Lending Provisions are not directly applicable to auto financing companies, in practice the upper limit of 24% per annum set by the Lending Provisions has become the upper limit of the annual interest rate of financial lending; and (ii) if the lending interest rate charged by Genius AFC exceed 24%, the consequence for such excess will render the interest rate for the exceeding part invalid.

Given that PBOC is one of the two regulatory bodies that promulgated the Auto Loan Management Measures and was involved in setting the upper limit on the lending interest rates as discussed above, we concur with the view of the Directors that it is fair and reasonable for Genius AFC to make reference to the PBOC base lending rates for similar type of loan as the minimum starting point to determine its lending interest rate under the Volvo Financing Arrangements.

As confirmed by the management of Genius AFC, under the current practice, the lending interest rates of the Volvo Financing Arrangements were determined principally after taking into account the maximum annual lending interest rate of 24% for private lending under the Auto Loan Management Measures, the PBOC base lending rates for similar type of loan under similar terms and conditions, the cost of funds, the lending rates offered by the competitors in the PRC auto finance market and the borrower’s credit profile which was

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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 abovementioned pricing policy and after taking into account the remarkable growth in the historical financing amounts under the Volvo Financing Arrangements as well as with the relatively low non-performing loan rate of Genius AFC as discussed in the paragraph headed “Lending Risk” below, we consider it to be fair and reasonable for Genius AFC to continue to adopt the aforesaid bases in determining the lending interest rates under the Volvo Financing Arrangements.

*(viii) Lending risk*

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

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

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

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credibility in order to make final credit decisions on the loan applications. Upon granting of the loan to a Volvo Retail Customer, the collection team of Genius AFC's operation department would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

Furthermore, the management of Genius AFC confirmed that as ascertained by the PRC Legal Opinion, the Auto Loan Management Measures is the principal law and regulation of the PRC in relation to the risk assessment and decision of auto finance companies. The management of Genius AFC also confirmed that (i) the abovementioned credit risk assessment procedures for both the Volvo Wholesale Financing and the Volvo Retail Financing were devised and established pursuant to the Auto Loan Management Measures; and (ii) since the incorporation of Genius AFC in August 2015, 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 stated in the Letter from the Board, since the commencement of the Volvo Financing Arrangements and up to 30 September 2018, (i) there had been no default in payment from the Volvo Dealers under the Volvo Wholesale Financing; (ii) out of over 13,000 transactions under the Volvo Retail Financing, only seven transactions were terminated due to the Volvo Retail Customer's default in payment; and (iii) as at 31 December 2017, the non-performing loan (being the loan past due for more than 60 days) rate under the Volvo Wholesale Financing and the Volvo Retail Financing was nil and approximately 0.01%, respectively. According to "2017中國汽車金融公司行業發展報告 (the 2017 China Auto Finance Industry Development Report)" issued by 中國銀行業協會汽車金融專業委員會 (the China Banking Association Professional Committee of Auto Finance), the average non-performing loan rate of the auto finance industry was approximately 0.25% as at 31 December 2017.

**(ix) *Loan term and credit limit***

The maximum loan term for each Volvo Dealer shall be 360 days. The maximum loan term for each Volvo Retail Customer shall 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. Thus, the abovementioned loan terms set out in the Volvo Finance Cooperation Agreements comply with the Auto Loan Management Measures, and accordingly are considered to be fair and reasonable in this respect.

**(x) *Subsidies***

Genius AFC shall 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 the 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Agreements with Genius AFC for the Volvo Wholesale Financing; and (ii) the Volvo Dealers who enter into the Volvo Retail Loan Cooperation Agreements with Genius AFC for the benefits of the Volvo Retail Customers in the Volvo Retail Financing, subject to the final assessment of the market situation, such as sales performance of the Volvo-branded vehicles, by VCDC and VCIC. The terms and period of such subsidies shall be determined by VCDC and VCIC in their respective quarterly sales incentive policies.

In order to assess whether it is the market practices that the auto manufacturers provide subsidies and/or interest-free periods to auto dealers for sales promotion, we have conducted public domain research and noted that although the promotional packages offered by Chinese auto manufacturers and/or auto finance companies are different, they usually include two to three years of zero or low interest car loans, purchase tax subsidies, interest subsidies and trade-in subsidies. Therefore, we consider the abovementioned sales and subsidies and the payment of accrued interest are in line with our research results.

*(xi) Securities*

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.

We noted from article 24 of the Auto Loan Management Measures that "when a lender issues a car loan, the borrower shall be required to provide the automobile mortgage or other effective guarantee purchased". Furthermore, under the Auto Loan Management Measures, it is stated that "after the lender examines, evaluates and confirms that the borrower has a good credit and can indeed repay the loan, he may not provide any guarantee".

Having considered the above and in particular after taking into account the following:

- the principal terms of the Volvo Financing Arrangements as discussed above, including the pricing basis for the lending interest under the Volvo Financing Arrangements, remain unchanged, save for the revision of the annual caps for the three years ending 31 December 2019, 2020 and 2021;
- the adherence to the Auto Loan Management Measures which is the principal law and regulation of the PRC in relation to the operation of auto loan companies including Genius AFC;
- Genius AFC is to be the sole decision maker for the final pricing of the services to be applied to the Volvo Dealers and the Volvo Retail Customers; and
- the Group has put in place the relevant internal control measures (as detailed in the paragraph headed "Relevant internal control measures" set out in the Letter from the Board) to (i) regularly monitor the market interest rates (including the PBOC base lending rates for similar types of loans under similar terms and conditions as the pricing basis of the lending interest rate under the Volvo

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Financing Arrangements); and (ii) keep abreast of the general auto finance market practice aimed at ensuring adherence of the pricing policy as stipulated in the Volvo Finance Cooperation Agreements;

We consider that the terms of the Volvo Finance Cooperation Agreements are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3.2 Volvo Wholesale Facility Agreements**

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

### **3.3 Volvo Retail Loan Agreements**

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

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

### **3.4 Volvo Annual Caps**

#### ***(i) Volvo Wholesale Financing***

##### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts in relation to the Volvo Wholesale Financing for each of the two years ended 31 December 2016 and 2017 and the seven months ended 31 July 2018; and (ii) the existing annual caps for the Volvo Wholesale Financing with an adoption of an estimated wholesale finance coverage rate of 85% for each of the three years ending 31 December 2018 (the “Existing Volvo Annual Caps (Wholesale)”) and their respective utilisation rates:

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	For the year ended 31 December		For the seven months ended
	2016	2017	31 July 2018
	<i>(RMB' million)</i> (audited)	<i>(RMB' million)</i> (audited)	<i>(RMB' million)</i> (unaudited)
Historical financing amounts provided by Genius AFC to the Volvo Dealers under the Volvo Wholesale Financing	1,197	3,564	2,688
	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Existing Volvo Annual Caps (Wholesale) <i>(RMB' million)</i>	30,000	37,000	49,000
Utilisation rates	4.0%	9.6%	5.5% <i>(Note)</i> (for seven months only)

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

The historical transaction amounts for the Volvo Wholesale Financing were approximately RMB1,197 million, RMB3,564 million and RMB2,688 million for the two years ended 31 December 2016 and 2017 and the seven months ended 31 July 2018 respectively, representing approximately 4.0%, 9.6% and 5.5% of the respective Existing Volvo Annual Caps (Wholesale). As stated in the Letter from the Board, The low utilisation rates of the annual caps for the two years ended 31 December 2017 were primarily due to the lower-than-expected wholesale finance coverage of the Volvo Wholesale Financing. In light of the above, Genius AFC has set the estimated wholesale finance coverage rate of the Volvo Wholesale Financing downward to 30% for each of the three years ending 31 December 2021 (the “**Volvo Revised Wholesale Finance Coverage**”) when determining the Volvo Annual Caps (Wholesale). For avoidance of doubt, the Volvo Revised Wholesale Finance Coverage represents the estimated percentage of the Volvo Dealers’ purchases which will be financed by the loans to be provided by Genius AFC under the Volvo Wholesale Financing. Please refer to the paragraph headed “Assessment of the basis for determination” below for further details of the Volvo Revised Wholesale Finance Coverage.



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### *The Volvo Annual Caps (Wholesale)*

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

	For the year ending 31 December		
	2019	2020	2021
	(RMB' million)	(RMB' million)	(RMB' million)
Maximum new financing amounts to be provided by Genius AFC to the Volvo Dealers under the Volvo Wholesale Financing	22,275	27,243	30,213
Year-on-year increase/(decrease)	(54.5%)	22.3%	10.9%

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

(ii) ***Volvo Retail Financing***

### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts for the Volvo Retail Financing for each of the two years ended 31 December 2016 and 2017 and the seven months ended 31 July 2018; (ii) the existing annual caps for the Volvo Retail Financing with an adoption of an estimated retail finance penetration rate of 30% for each of the three years ending 31 December 2018 (the “**Existing Volvo Annual Caps (Retail)**”) and their respective utilisation rates:

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	<b>For the year ended 31 December</b>		<b>For the seven months ended</b>
	<b>2016</b>	<b>2017</b>	<b>31 July 2018</b>
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
	(audited)	(audited)	(unaudited)
Historical financing amounts provided by Genius AFC to the Volvo Retail Customers under the Volvo Retail Financing	301	1,026	660
	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Existing Volvo Annual Caps (Retail) <i>(RMB' million)</i>	7,000	9,000	11,000
Utilisation rates	4.3%	11.4%	6.0% (Note) (for seven months only)

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

The historical transaction amounts for the Volvo Retail Financing were approximately RMB301 million, RMB1,026 million and RMB660 million for the two years ended 31 December 2016 and 2017 and the seven months ended 31 July 2018 respectively, representing approximately 4.3%, 11.4% and 6.0% of the respective Existing Volvo Annual Caps (Retail). As stated in the Letter from the Board, the low utilisation rates of the annual caps for the two years ended 31 December 2017 were primarily due to the lower-than-expected retail finance penetration of the Volvo Retail Financing. During the two years ended 31 December 2017, Genius AFC, which was incorporated in August 2015, was still in an early development stage and in the process of establishing and refining its business processes, sales and marketing capability, customer database and product offerings. Also, it took time and efforts for Genius AFC to introduce and promote the Volvo Wholesale Financing to the Volvo Dealers, and the Volvo Retail Financing to the Volvo Dealers for their onward promotion to the Volvo Retail Customers. The above factors had resulted in the lower-than-expected retail finance penetration of the Volvo Retail Financing during the two years ended 31 December 2017. Notwithstanding the foregoing, with the accumulation of experience, business network, customers and customer database over the past three years, Genius AFC achieved considerable growth in business volume recently. As stated in the Letter from the Board, the outstanding amount of loans to dealers and retail customers of Genius AFC had increased from approximately RMB9.6 billion as at 31 December 2017

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to approximately RMB14.3 billion as at 30 June 2018. It is also stated that, Genius AFC recorded the total income (being the total of net interest income and net fee and commission income) of approximately RMB308 million for the year ended 31 December 2017 and approximately RMB327 million for the six months ended 30 June 2018. It is expected that the retail finance penetration of the Volvo Retail Financing will improve alongside the enhanced competitiveness of Genius AFC and its products in the PRC auto finance industry.

In light of the above, Genius AFC has set the estimated retail finance penetration rate of the Volvo Retail Financing at the same rate (i.e. 30%) for each of the three years ending 31 December 2021 (the “**Volvo Retail Finance Penetration**”) when determining the Volvo Annual Caps (Retail). For avoidance of doubt, the Volvo Retail Finance Penetration represents the estimated percentage of the Volvo Retail Customers’ purchases which will be financed by the loans to be provided by Genius AFC under the Volvo Retail Financing. Please refer to the paragraph headed “Assessment of the basis for determination” below for further details of the Volvo Retail Finance Penetration.

### *The Volvo Annual Caps (Retail)*

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

	For the year ending 31 December		
	2019	2020	2021
	(RMB’ million)	(RMB’ million)	(RMB’ million)
Maximum new financing amounts to be provided by Genius AFC to the Volvo Retail Customers under the Volvo Retail Financing	11,583	14,166	15,711
Year-on-year increase	5.3%	22.3%	10.9%

As stated in the Letter from the Board, when determining the proposed Volvo Annual Caps (Retail), Genius AFC has taken into account (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of Volvo-branded vehicles to the Volvo Retail Customers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of the Volvo Dealers and the sales volume projection of the Volvo-branded vehicles; (iii) the projected average retail selling price of Volvo-branded vehicles for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy for the Volvo-branded vehicles to retail customers; and (iv) the Volvo Retail Finance Penetration.

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### *(iii) Assessment of the basis for determination*

In order to assess the fairness and reasonableness of the proposed Volvo Annual Caps, we have obtained and reviewed the respective projections of the new financing amounts in relation to the Volvo Wholesale Financing and the Volvo Retail Financing for the three years ending 31 December 2021 prepared by the Group (the “**Volvo Projections**”) and also discussed with the management of Genius AFC about the underlying principal bases and assumptions relating thereto. We were given to understand that when preparing the Volvo Projections, the management of Genius AFC has principally considered (i) the respective historical transaction amounts for the Volvo Wholesale Financing and the Volvo Retail Financing for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the anticipated number of the Volvo Dealers and the sales volume projection of the Volvo-branded vehicles; (iii) the extended coverage on the dealership network, sales area and vehicle types/models under the Volvo Financing Arrangements; (iv) the market conditions of both the PRC automobile industry and auto finance market; (v) the historical average wholesale/retail finance coverage of the auto finance market in the PRC; (vi) the historical lower-than-expected wholesale finance coverage of the Volvo Wholesale Financing and the underlying reason as discussed above; (vii) the expected increase in demand for and sale of the Volvo-branded vehicles resulting from the Volvo Sale and Marketing Strategies to be put in place; (viii) the new models of Volvo-branded vehicles; the sales of Volvo-branded vehicles; and (ix) the Directors’ assumption on the PRC import tax rate on the imported Volvo-branded vehicles and the tax rates on sales of automobile vehicles in the PRC remain unchanged for the three years ending 31 December 2021.

In particular, in determining the Volvo Revised Wholesale Finance Coverage and the Volvo Retail Finance Penetration, Genius AFC has made reference to the overall performance of the auto finance companies in the PRC which indicated that their average wholesale finance coverage and average retail finance penetration for 2017 were approximately 17.5% and 20.0%, respectively, as stated in the Report. The Company expects that the anticipated growth in both automobile industry and auto finance market in the PRC will have a positive synergetic effect on the finance coverage/penetration in the foreseeable future. We, on the best effort basis, performed our independent search on and made references to the relevant publicly available information on, among others, the overall market conditions and performance of both automobile industry and auto finance market in the PRC which generally showed positive prospects for the foreseeable future. Please refer to the paragraph headed “Reasons for and benefits of the Volvo Financing Arrangements and the EV Financing Arrangements – Industry Outlook” for the relevant information on the automobile industry and the auto finance market in the PRC. Other determining factors mainly include (i) the relationship between Genius AFC and VCDC and VCIC (that is being the preferred partner of VCDC and VCIC pursuant to the Volvo Preferred Partnership Provision); (ii) the growth potential of the Volvo Wholesale Financing and the Volvo Retail Financing in light of the Volvo Wholesale Subsidies that may be granted to the benefits of the Volvo Dealers for the promotion of the Volvo Wholesale Financing and the Volvo Retail Subsidies that may be granted for the promotional campaigns in relation to the retail financing offered by Genius AFC to the Volvo Retail Customers from the Volvo Dealers; and (iii) the expected increase in the wholesale/retail finance penetration of

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Genius AFC and the sale of the Volvo-branded vehicles in the PRC resulting from the Volvo Sale and Marketing Activities to be jointly undertaken by Genius AFC and VCDC or VCIC (as the case may be).

In assessing the reasonableness of the Volvo Projections, we have, among others, obtained and reviewed, among others, the list of confirmed Volvo Dealers as at 31 August 2018 and the expected dealership network with the corresponding sales targets for each of the three years ending 31 December 2021, details of which are set out in the paragraph headed “Reasons for and benefits of the Volvo Financing Arrangements and the EV Financing Arrangements – Benefits of the Volvo Financing Arrangements and the EV Financing Arrangements” above. We have also obtained and reviewed the estimated price and sales volume of the Volvo-branded vehicle models for each of the three years ending 31 December 2021.

According to the 2018 Interim Report, despite the increasing competition from other financial institutions like commercial banks and financial leasing companies and the challenges during the deleveraging and liquidity management process in the PRC which limited Genius AFC’s ability to grow its loan book, Genius AFC is still on track to achieve its annual target steadily for 2018. We were advised that as at 30 June 2018, with a total loan book of approximately RMB14.34 billion, Genius AFC stood at approximately 75% of the annual target for 2018 profit before tax comparable with approximately 56% of the same target it managed during the same period in the previous financial year. Having considered its active involvement throughout the whole operation process of the Volvo Financing Cooperation Arrangements (including the undertaking of the Sale and Marketing Activities) and the support of VCDC and VCIC in promoting the Volvo Wholesale Financing and the Volvo Retail Financing (including the provision of the Volvo Wholesale Subsidies and the Volvo Retail Subsidies), Genius AFC is expected to be able to achieve business growth in the coming years.

Based on our due diligence work performed, 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, principally after taking into account the followings:

- the adoption of the Volvo Revised Wholesale Finance Coverage and the Volvo Retail Finance Penetration in determining the Volvo Annual Caps and the underlying reasons as detailed in the paragraphs headed “Volvo Wholesale Financing – Historical transaction amounts” and “Volvo Retail Financing – Historical transaction amounts” above;
- that the Volvo Revised Wholesale Finance Coverage and the Volvo Retail Finance Penetration are both less than the 2017 Market Overall Finance Coverage, regardless of lower average wholesale finance coverage and average retail finance penetration in the market for 2017;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- that the projected average wholesale prices and retail prices of the existing Volvo-branded vehicles are generally estimated to remain steady for the three years ending 31 December 2021;
- the growing potential in both the automobile industry and the auto finance market in the PRC based on the industry overview as discussed in the paragraph headed “Reasons for and benefits of the Volvo Financing Arrangements and the EV Financing Arrangements – Industry outlook” above;
- that the expected dealership network and extended coverage area as discussed in the paragraph headed “Benefits of the Volvo Financing Arrangements and the EV Financing Arrangements” is in line with the proposed annual caps calculations;
- that the growth potential of the Volvo Wholesale Financing and the Volvo Retail Financing in light of the Volvo Sale and Marketing Strategies;
- with reference to the anticipated number of the Volvo Dealers and the sales volume projection of the Volvo Dealers, the projected number of unit sales of Volvo-branded vehicles to the Volvo Dealers and the Volvo Retail Customers are expected to increase for each of the three years ending 31 December 2021; and
- the proposed marketing incentives (i.e. promotion plans) to be provided to the Volvo Dealers.

#### 4. EV FINANCING ARRANGEMENTS

Reference is made to the Company’s the circular dated 20 November 2018 in relation to, among others, the Electric Vehicle Agreement pursuant to which the Group conditionally agreed to sell complete build-up unit of electric vehicles (being complete electric vehicles after final assembly or Geely EVs) to the Geely Holding Group and the GGL Group. Please also refer to the paragraphs headed “Business Overview – Principal business activities and expansion strategies” and “Industry Outlook – Automobile industry in the PRC” for details of the EV Sales Arrangement.

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

##### 4.1 Principal terms of the EV Finance Cooperation Agreement

(i) *Date*

5 October 2018

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Parties*

Genius AFC and Geely Holding

*(iii) Subject matter*

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

*(iv) Term*

The EV Finance Cooperation Agreement shall have an initial term of three years and shall then continue unless and until terminated by either party by giving at least six months prior written notice. Such continuation/renewal shall be approved by (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.

As stated in the Letter from the Board, the condition precedent is to ensure that the EV Finance Cooperation Agreement will only be renewed upon the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules having been complied with.

*(v) Termination*

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

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

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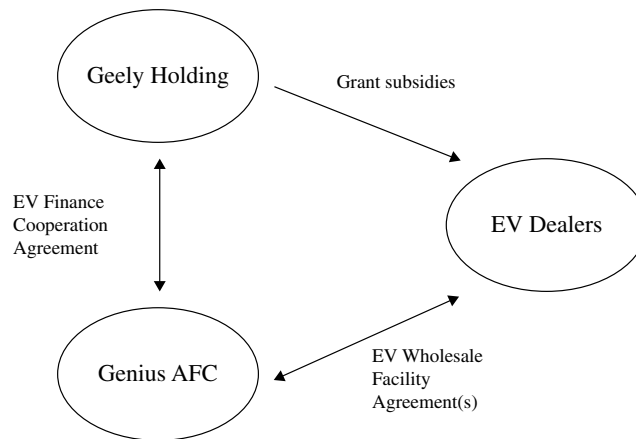
(vi) *Cooperation*

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

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

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

(1) *EV Wholesale Financing*



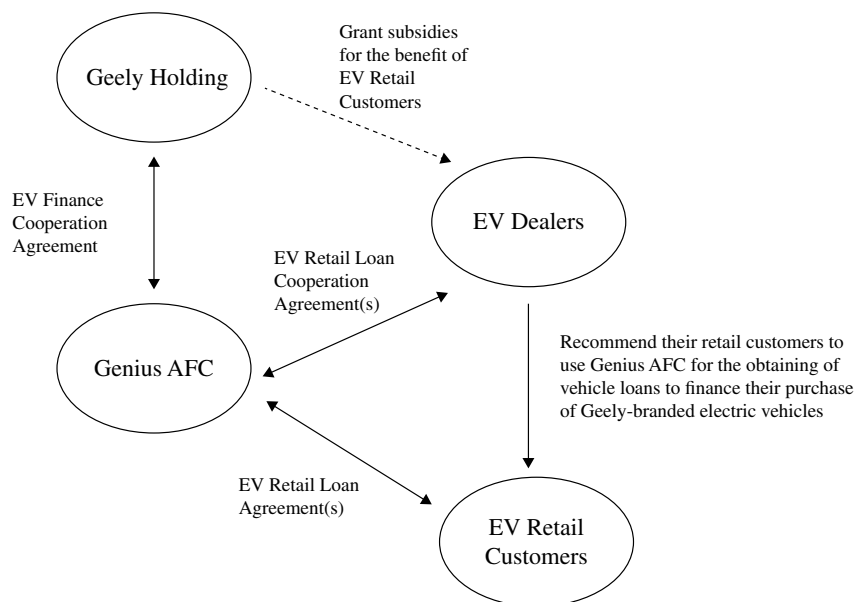


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (2) EV Retail Financing



Pursuant to the EV Finance Cooperation Agreement, the parties have agreed to work together to undertake promotional activities, incentives and training to increase the finance penetration of the Genius AFC and the sale of the Geely EVs in the PRC (the “**EV Sale and Marketing Activities**”), and together with the EV Wholesale Subsidies and the EV Retail Subsidies, collectively hereinafter referred to the “**EV Sale and Marketing Strategies**”).

#### (vii) Pricing policy

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

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

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In practice, given that Genius AFC is not the exclusive provider of financing services to the EV Dealers and the EV Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC will communicate with the EV Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the EV Wholesale Financing and the EV Retail Financing offered by Genius AFC are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures” set out in the Letter from the Board for details of the internal control procedures for determining the pricing of the services provided by Genius AFC.

For the same basis as discussed in the paragraph headed “Volvo Financing Arrangements – Principal terms of the Volvo Finance Cooperation Arrangements – Pricing policy” above, we (i) concur with the view of the Directors that it is fair and reasonable for Genius AFC to make reference to the PBOC base lending rates for similar type of loan as the minimum starting point to determine its lending interest rate under the EV Financing Arrangements; and (ii) consider it to be fair and reasonable for Genius AFC to adopt the same bases of determination for the lending interest rates under the EV Financing Arrangements.

*(viii) Lending risk*

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

For the EV Wholesale Financing and the EV Retail Financing, Genius AFC will adopt similar credit risk assessment and loan approval procedures as those for the Volvo Wholesale Financing and the Volvo Retail Financing. Please refer to paragraph headed “Volvo Financing Arrangements – Principal terms of the Volvo Finance Cooperation Agreements – Lending risk” above for further details.

As confirmed by the management of Genius AFC, the credit risk assessment procedures adopted in both the EV Wholesale Financing and the EV Retail Financing were devised and established pursuant to the Auto Loan Management Measures which is the principal law and regulation of the PRC in relation to the risk assessment and decision of auto finance company.

*(ix) Loan term and credit limit*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The abovementioned loan terms set out in the EV Finance Cooperation Agreement are in compliance with the relevant provisions stipulated in the Auto Loan Management Measures 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, and accordingly are considered to be fair and reasonable.

*(x) Subsidies*

Genius AFC will provide financing to all the EV Dealers according to the sales objectives and regional coverage agreed with Geely Holding. Geely Holding may from time to time offer the EV Dealers support with their vehicle financing and stocking costs and may choose to pay the interest accruing under the relevant EV Wholesale Facility Agreements on the EV Dealers' behalf for an agreed period of time. In practice, Geely Holding will provide subsidies to (i) the EV Dealers who enter into the EV Wholesale Facility Agreements with Genius AFC for the EV Wholesale Financing; and (ii) the EV Dealers who enter into the EV Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the EV Retail Financing, subject to the final assessment of the market situation (such as sales performance of the Geely EVs) by Geely Holding. The terms and period of such subsidies shall be determined by Geely Holding in its quarterly sales incentive policies.

For the same basis as discussed in the paragraph headed "Volvo Financing Arrangements – Principal terms of the Volvo Finance Cooperation Arrangements – Subsidies" above, we consider the abovementioned sales and subsidies and the payment of accrued interest are in line with our research results.

*(xi) Security*

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

The abovementioned security provision is in line with article 24 of the Auto Loan Management Measures, details of which are set out in the paragraph headed "Volvo Financing Arrangements – Principal terms of the Volvo Finance Cooperation Arrangements – Securities" above.

Having considered the forgoing, in particular (i) the adherence of the Auto Loan Management Measures; (ii) Genius AFC is to be the sole decision maker for the final pricing to be applied to the EV Dealers and the EV Retail Customers; and (iii) the relevant internal control measures (as detailed in the paragraph headed "Relevant internal control measures" set out in the Letter from the Board) to be put in place to ensure adherence of the pricing policy as stipulated in the EV Finance Cooperation Agreement, we consider that the terms of the EV Finance Cooperation Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.2 EV Wholesale Facility Agreements

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

### 4.3 EV Retail Loan Agreements

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

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

### 4.4 EV Annual Caps

#### (i) EV Wholesale Financing

##### *The EV Annual Caps (Wholesale)*

There is no historical transaction amount for the EV Wholesale Financing as it is expected to commence in the first quarter of 2019 after the approval of the Independent Shareholders at the EGM. The table below sets out the proposed EV Annual Caps (Wholesale) for each of the three years ending 31 December 2021:

	For the year ending 31 December		
	2019	2020	2021
	(RMB' million)	(RMB' million)	(RMB' million)
Maximum new financing amounts to be provided by Genius AFC to the EV Dealers under the EV Wholesale Financing	3,276	5,406	3,626
Year-on-year increase/(decrease)	-	65.0%	(32.9%)

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As stated in the Letter from the Board, when determining the proposed EV Annual Caps (Wholesale), Genius AFC has taken into account (i) the historical sales volume and average selling price of the Geely EVs to the EV Dealers; (ii) the projected unit sales of the Geely EVs to the EV Dealers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of the EV Dealers; (iii) the projected average selling price of the Geely EVs to the EV Dealers for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy of the Geely EVs to retail customers, taking into consideration the proposed marketing incentives to be provided to the EV Dealers; and (iv) the estimated wholesale finance coverage of the EV Wholesale Financing of 30% for each of the three years ending 31 December 2021 (the “**EV Wholesale Finance Coverage**”). The EV Wholesale Finance Coverage represents the estimated percentage of the EV Dealers’ purchases which will be financed by the loans to be provided by Genius AFC.

(ii) ***EV Retail Financing***

*The EV Annual Caps (Retail)*

There is no historical transaction amount for the EV Retail Financing as it is expected to be commenced in the first quarter of 2019 after the approval of the Independent Shareholders at the EGM. The table below sets out the proposed EV Annual Caps (Retail) for each of the three years ending 31 December 2021:

	For the year ending 31 December		
	2019	2020	2021
	(RMB' million)	(RMB' million)	(RMB' million)
Maximum new financing amounts to be provided by Genius AFC to the EV Retail Customers under the EV Retail Financing	2,511	4,834	3,705
Year-on-year increase/(decrease)	–	92.5%	(23.4%)

As stated in the Letter from the Board that when determining the proposed EV Annual Caps (Retail), Genius AFC has taken into account (i) the historical sales volume and average selling price of the Geely EVs to the EV Retail Customers; (ii) the projected number of unit sales of the Geely EVs to the EV Retail Customers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of the EV Dealers, and the sales volume projection of the EV Dealers; (iii) the projected average retail selling price of the Geely EVs for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy for the Geely EVs to retail customer; and (iv) the estimated retail financing penetration of the EV Retail Financing of 30%, 35% and 40% for each of the three years ending 31 December 2021, respectively (the “**EV Retail Finance**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Penetration**”). The EV Retail Finance Penetration represents the estimated percentage of the EV Retail Customers’ purchases which will be financed by the loans provided by Genius AFC.

*(iii) Assessment of the basis for determination*

In order to assess the fairness and reasonableness of the proposed EV Annual Caps, we have obtained and reviewed the respective projections of the new financing amounts in relation to the EV Wholesale Financing and the EV Retail Financing for the three years ending 31 December 2021 prepared by the Group (the “**EV Projections**”) and also discussed with the management of Genius AFC about the underlying principal bases and assumptions relating thereto. We were given to understand that when preparing the EV Projections, the management of Genius AFC has principally considered (i) the historical sale volume of the Geely EV to the Geely Group for the two years ended 31 December 2017 and the eight months ended 31 August 2018; (ii) the anticipated number of dealers and the proposed dealership network; (iii) the intended purchase of the Geely EVs as indicated by the Geely Holding Group for each of the three years ending 31 December 2021; (iv) the expected increase in demand for and sale of the Geely EVs resulting from, among others, the launch of the 2018 New EV Models; (v) the projected average selling price per Geely EV to the EV Dealers and the EV Retail Customers is expected to increase for the year ending 31 December 2020 while expected to decrease for the year ending 31 December 2021 determined based on their latest selling prices; (vi) the market conditions of both the PRC automobile industry and auto finance market; and (vii) the historical average wholesale/retail finance coverage of the auto finance market in the PRC. We also noted that the adoption of the EV Wholesale Finance Coverage and the EV Retail Finance Penetration was underpinned by the basis for and factors considered in determining the Volvo Revised Wholesale Finance Coverage and the Volvo Retail Finance Penetration, details of which are set out in paragraph headed “Volvo Financing Arrangements – Volvo Annual Caps – Assessment of the basis for determination” above.

In assessing the reasonableness of the EV Projections, we have, among others, obtained and reviewed, among others, the list of confirmed EV Dealers as at 31 August 2018 and the expected dealership network with the corresponding sales targets for each of the three years ending 31 December 2021, details of which are set out in the paragraph headed “Reasons for and benefits of the Volvo Financing Arrangements and the EV Financing Arrangements – Benefits of the Volvo Financing Arrangements and the EV Financing Arrangements” above. We have also obtained and reviewed the expected average prices and sales volume of the Geely EVs for each of the three years ending 31 December 2021. Based on our review of the EV Projections of the Geely EVs to be sold to the EV Dealers by the Geely Holding Group and the EV Retail Customers by the EV Dealers for the three months ending 31 December 2021, we noted that both distribution prices and retail prices are generally estimated to remain steady.

With reference to the announcement made by the Company on 8 October 2018 regarding the unaudited sales volume in September 2018, all the Group’s newly launched models this year have been very well received, in particular, monthly sales volume for “Borui GE” (博瑞GE) stayed at close to record high level at over 5,000 units in the month of

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September 2018. The Company expects that the prevailing market conditions will enable the sale of the Geely EV Models to keep up with the growth momentum and continue to achieve positive sales performance for the rest of the year 2018 and the three years ending 31 December 2021, which in turn would facilitate the business growth, and hence the market penetration, of Genius AFC. In the course of performing our assessment of the EV Annual Caps, our independent review on the overall market conditions and performance of both automobile industry and auto finance market in the PRC revealed positive prospects for the foreseeable future.

Based on our due diligence work performed, 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 EV Annual Caps at the proposed levels, principally after taking into account the followings:

- that the projected average wholesale prices and retail prices of the Geely EV Models are generally estimated to remain steady for the three years ending 31 December 2021 as compared to the historical whole prices and retail prices;
- the growth potential in the demand for the Geely EV Models in the PRC driven by the continuous support of the PRC government to promote the production and use of electric and new energy vehicles as discussed in the paragraph headed “Industry outlook” above;
- that the expected dealership network and wide coverage area as discussed in the paragraph headed “Benefits of the Volvo Financing Arrangements and the EV Financing Arrangements” are in line with the proposed annual caps calculations;
- the growth potential of the EV Wholesale Financing and the EV Retail Financing in light of the EV Sale and Marketing Strategies;
- that with reference to the anticipated number of the EV Dealers and the sales volume projection of the EV Dealers, the projected number of unit sales of the Geely EVs to the EV Dealers and the EV Retail Customers are expected to increase for each of the three years ending 31 December 2021; and
- the proposed marketing incentives (i.e. promotion plans) to be provided to the EV Dealers.

## 5. MONITORING AND REPORTING

### 5.1 Internal control measures

We noted that the Group and Genius AFC have adopted internal control measures and policies for the purpose of monitoring the execution and implementation of the Volvo Financing Arrangements and the EV Financing Arrangements, including specific monitoring and reporting measures and procedures to ensure compliance with the respective terms stipulated in the Volvo

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Financing Cooperation Agreements and EV Financing Cooperation Agreement, respectively. For details of the underlying monitoring and reporting procedures of the relevant internal control measures adopted by the Group and Genius AFC, please refer to the paragraph headed “Relevant internal control measures” set out in the Letter from the Board.

### 5.2 Requirements of the Listing Rules

For each financial year of the Company during the terms of the Volvo Financing Cooperation Agreements and EV Financing Cooperation Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company’s independent auditor as required by Rules 14A.55 and 14A.56 of the Listing Rules. The independent non-executive Directors must confirm in the annual report and accounts that the Volvo Financing Arrangements and the EV Financing Arrangements have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company to engage its independent auditor to report on the Volvo Financing Arrangements and the EV Financing Arrangements for each financial year of the Company and that the Company’s independent auditor must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that such transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing basis for the Volvo Financing Cooperation Agreements and the EV Financing Cooperation Agreement;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- have exceeded the Volvo Annual Caps and the EV Annual Caps.

For reference purpose, in light of the abovementioned monitoring and reporting measures and procedures as stipulated in the Listing Rules, we have reviewed the confirmation statements made by the independent non-executive Directors in the annual reports of the Company for each of the two financial years ended 31 December 2017 in relation to the Company’s continuing connected transactions including the Volvo Financing Arrangements effected pursuant to the terms of the Volvo Financing Cooperation Agreements during the relevant years (the “**Historical Volvo Financing Arrangements**”). As stated in the said annual reports, the independent non-executive Directors confirmed that, among others, the Historical Volvo Financing Arrangements were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Further, we were aware that for each of the two financial years ended 31 December 2017, the Company was compliant with Rule 14A.56 of the Listing Rules which requires the Company to engage an independent auditor to report on its continuing connection transactions (including the Historical Volvo Financing Arrangements) for each financial year of the Company. Based on our review on the written confirmations issued by the relevant independent auditor to the Company in respect of, inter alia, the Historical Volvo Financing Arrangements for each of the two financial years ended 31 December 2017, it is ascertained that nothing had come to such independent auditor's attention that caused them to believe that, among others, (i) the Historical Volvo Financing Arrangements were not entered into, in all materials respects, in accordance with the pricing policies of the Group; (ii) the Historical Volvo Financing Arrangements were not entered into, in all materials respects, in accordance with the relevant agreements governing such transactions; and (iii) the aggregate amount of each of the Historical Volvo Financing Arrangements had exceeded the relevant annual caps as set by the Company.

### OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we consider that the Volvo Financing Renewal and the entering into of the EV Financing Cooperation Agreement (i) are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) together with the Volvo Annual Caps and the EV Annual Caps, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Volvo Financing Renewal, the EV Financing Cooperation Agreement, the Volvo Annual Caps and the EV Annual Caps.

Yours faithfully,

for and on behalf of

**DAKIN CAPITAL LIMITED**

**Kinson Li**

**Annie Kwong**

*Managing Director*

*Director*

*Note:* Mr. Kinson Li is a licensed person and a responsible officer of Dakin Capital Limited registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in corporate finance industry. Ms. Annie Kwong is a licensed person and a responsible officer of Dakin Capital Limited registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance industry.

*The English translation of the Chinese name(s) in this letter, where indicated with \* is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

**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 ( <i>Note 1</i> )	Interest in controlled corporations	3,964,448,000	–	44.15
Mr. Li Shu Fu	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Li Dong Hui, Daniel	Personal	4,200,000	–	0.05
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	16,280,000	–	0.18
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
Mr. Lee Cheuk Yin, Dannis	Personal	550,000	–	0.006
Mr. Yeung Sau Hung, Alex	Personal	350,000	–	0.004

*Note:*

1. Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold interests of 3,964,448,000 shares, representing approximately 44.15% of the total issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% 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. Li Shu Fu ( <i>Note 1</i> )	Interest in controlled corporations	85,220,000	–	0.95
Mr. Yang Jian	Personal	9,000,000 ( <i>Note 2</i> )	–	0.10
Mr. Li Dong Hui, Daniel	Personal	3,500,000 ( <i>Note 3</i> )	–	0.04
Mr. Gui Sheng Yue	Personal	11,500,000 ( <i>Note 2</i> )	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 ( <i>Note 4</i> )	–	0.07
Mr. An Cong Hui	Personal	4,700,000 ( <i>Note 2</i> )	–	0.05
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 ( <i>Note 2</i> )	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 ( <i>Note 4</i> )	–	0.06
Ms. Wei Mei	Personal	900,000 ( <i>Note 2</i> )	–	0.01
Ms. Wei Mei	Personal	5,000,000 ( <i>Note 3</i> )	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 ( <i>Note 4</i> )	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	100,000 ( <i>Note 2</i> )	–	0.001
Mr. Lee Cheuk Yin, Dannis	Personal	250,000 ( <i>Note 4</i> )	–	0.003
Mr. Yeung Sau Hung, Alex	Personal	100,000 ( <i>Note 2</i> )	–	0.001
Mr. Yeung Sau Hung, Alex	Personal	250,000 ( <i>Note 4</i> )	–	0.003
Mr. An Qing Heng	Personal	630,000 ( <i>Note 4</i> )	–	0.007
Mr. Wang Yang	Personal	1,000,000 ( <i>Note 4</i> )	–	0.01

*Notes:*

1. Mr. Li Shu Fu and his concert parties in aggregate hold derivatives' interest of 85,220,000 shares, representing approximately 0.95% of the total issued share capital of the Company as at the Latest Practicable Date.
2. The interest relates to share options granted on 18 January 2010 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 18 January 2010 to 17 January 2020. 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.
3. 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.
4. The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. 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.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 10)	–	(Note 10)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	(Note 13)	–	(Note 13)
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	(Note 14)	–	(Note 14)

*Notes:*

- Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company.
- Geely Holding is a private 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 private company incorporated in the PRC and is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li’s interested entities.
4. Shanghai Maple Automobile Company Limited (“**Shanghai Maple Automobile**”) is a private 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 private company incorporated in the PRC and is owned as to 98.5% by Geely Holding and as to 1.5% by other Mr. Li’s interested entities.
6. Zhejiang Jirun Automobile Company Limited (“**Zhejiang Jirun**”) is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely.
7. Shanghai Maple Guorun Automobile Company Limited (“**Shanghai Maple**”) is a private company incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile.
8. Zhejiang Ruhoo Automobile Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
9. Hunan Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
10. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple.
11. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple.
12. Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely.
13. Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely.
14. Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely.

**(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	Lending pool	
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	-	-	29.36
Geely Holding (Note 1)	Interest in controlled corporation	3,964,361,000	-	-	44.15
Geely Group Limited (Note 1)	Beneficial owner	87,000	-	-	0.001
	Interest in controlled corporation	2,636,705,000	-	-	29.36
Zhejiang Geely (Note 2)	Beneficial owner	796,562,000	-	-	8.87

*Notes:*

- Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- Zhejiang Geely is a private company incorporated in the PRC and is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li's interested entities.

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 Geely Holding. 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 sedans 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 sedans. The potential production and distribution of Geely sedans 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. 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 as the Geely Holding Group's product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium

automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium 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.

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**

Save for disclosed below, 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 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by 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.

***Acquisition agreement between Zhejiang Jirun and 杭州吉利汽車部件有限公司 (Hangzhou Geely Automobile Components Company Limited\*) (“Hangzhou Components”)***

Pursuant to the acquisition agreement dated 18 July 2018, Zhejiang Jirun conditionally agreed to acquire and Hangzhou Components conditionally agreed to sell the entire registered capital of 杭州吉利汽車有限公司 (Hangzhou Geely Automobile Company Limited\*) for a cash consideration of RMB930,620,464.36.

***Acquisition agreement between Zhejiang Jirun and 貴州吉利新能源汽車有限公司 (Guizhou Geely New Energy Automobile Company Limited\*) (“Guizhou New Energy”)***

Pursuant to the acquisition agreement dated 18 July 2018, Zhejiang Jirun conditionally agreed to acquire and Guizhou New Energy conditionally agreed to sell the entire registered capital of 貴州吉利汽車部件有限公司 (Guizhou Geely Automobile Components Company Limited\*) for a cash consideration of RMB1,074,308,970.43.

***Acquisition agreement between Zhejiang Jirun and Zhejiang Geely***

Pursuant to the acquisition agreement dated 18 July 2018, Zhejiang Jirun conditionally agreed to acquire and Zhejiang Geely conditionally agreed to sell the entire registered capital of 寧波吉潤汽車部件有限公司 (Ningbo Jirun Automobile Components Company Limited\*) for a cash consideration of RMB1,169,398,629.60.

***Licensing agreement between the Company and Geely Holding***

Pursuant to the licensing agreement dated 24 September 2018, the Group agreed to license the intellectual properties and the foreground intellectual properties to Geely Holding for the design, development, manufacture, sale, marketing and distribution of the licensed models within the licensed regions during the licensed period. Pursuant to the licensing agreement, Geely Holding is permitted to sub-license the intellectual properties and the foreground intellectual properties to the Proton Group for their design, development, manufacture, sale, marketing and distribution of the licensed models within the licensed regions during the licensed period. The total license fee for the intellectual properties is RMB1,344,000,000.

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

Pursuant to the assets acquisition agreement dated 5 October 2018, the Company agreed to purchase and Geely Holding agreed to sell the target assets for a maximum consideration of RMB679,871,373.

***Acquisition agreement between Zhejiang Dongli and 台州吉利羅佑發動機有限公司 (Taizhou Geely Luoyou Engines Company Limited\*) (“Taizhou Engines”)***

Pursuant to the acquisition agreement dated 5 October 2018, Zhejiang Dongli conditionally agreed to acquire and Taizhou Engines conditionally agreed to sell the entire registered capital of 台州濱海吉利發動機有限公司 (Taizhou Binhai Geely Engine Company Limited\*) for a cash consideration of RMB781,274,109.

***Acquisition agreement between Zhejiang Dongli and 貴陽吉利發動機有限公司 (Guiyang Geely Engines Company Limited\*) (“Guiyang Engines”)***

Pursuant to the acquisition agreement dated 5 October 2018, Zhejiang Dongli conditionally agreed to acquire and Guiyang Engines conditionally agreed to sell the entire registered capital of 貴州吉利發動機有限公司 (Guizhou Geely Engine Company Limited\*) for a cash consideration of RMB484,003,363.

Save for disclosed 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.

***Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)***

- *Sales of complete knock down kits and vehicle tool kits from the Group to the Geely Holding Group*

Pursuant to the services agreement dated 27 November 2009 and the Company’s announcements dated 27 November 2009, 13 November 2015, 18 October 2016 and 7 November 2017, the Group agreed to supply to the Geely Holding Group the CKDs and vehicle tool kits in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB121,443,520,000 for the three years ending 31 December 2018.

- *Sales of complete buildup units (“CBUs”), automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group*

Pursuant to the services agreement dated 27 November 2009 and the Company’s announcements dated 27 November 2009, 13 November 2015, 18 October 2016 and 7 November 2017, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the services agreement with an aggregate largest annual cap of RMB153,395,431,000 for the three years ending 31 December 2018.

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 requirements and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Shareholders’ meeting in respect of the aforesaid services agreement was held on 31 December 2009 and the services agreement was duly approved by the then Independent Shareholders.

*Powertrain sales agreement among the Company, 領克投資有限公司 (LYNK & CO Investment Company Limited\*) (“LYNK & CO”) and Geely Holding (the powertrain sales agreement has an effective term until 31 December 2020)*

Pursuant to the powertrain sales agreement dated 7 November 2017, the Group agreed to sell vehicle engines, transmissions and related after-sales parts manufactured by it to LYNK & CO and its subsidiaries and the Geely Holding Group with the largest annual cap being RMB15,661,070,000 for the three years ending 31 December 2020.

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

The Shareholders’ meeting in respect of the aforesaid powertrain sales agreement was held on 27 December 2017 and the powertrain sales agreement was duly approved by the then Independent Shareholders.

*LYNK & CO finance cooperation agreement among 吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd\*) (“Genius AFC”) and 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited\*) (the LYNK & CO finance cooperation agreement has an effective term until 31 December 2020)*

- *Wholesale facility agreements between Genius AFC and the LYNK & CO Dealers (as defined in the circular of the Company dated 8 December 2017) (the wholesale facility agreements have an effective term until 31 December 2020)*

Pursuant to the LYNK & CO finance cooperation agreement dated 3 November 2017, Genius AFC agreed to enter into wholesale facility agreements with the LYNK & CO Dealers to provide vehicle financing to the LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB24,450 million for the three years ending 31 December 2020.

- *Retail loan cooperation agreements between Genius AFC and the LYNK & CO Dealers (as defined in the circular of the Company dated 28 January 2016) (the retail loan cooperation agreements have an effective term until 31 December 2020)*

Pursuant to the LYNK & CO finance cooperation agreement dated 3 November 2017, Genius AFC agreed to enter into retail loan cooperation agreements with the LYNK & CO Dealers pursuant to which the LYNK & CO Dealers shall recommend the retail consumers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB23,295 million for the three years ending 31 December 2020.

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

The Shareholders' meeting in respect of the aforesaid LYNK & CO finance cooperation agreement was held on 27 December 2017 and the LYNK & CO finance cooperation agreement was duly approved by the then Independent Shareholders.

***Loan guarantee agreement between the Company and Geely Holding (the loan guarantee agreement has an effective term until 31 December 2018)***

Pursuant to the loan guarantee agreement dated 13 November 2015, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group with the largest annual cap being RMB1,500,000,000 for the three years ending 31 December 2018.

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

The Shareholders' meeting in respect of the aforesaid loan guarantee agreement was held on 30 December 2015 and the loan guarantee agreement was duly approved by the then Independent Shareholders.

***Electric vehicle agreement and the supplemental electric vehicle agreement between the Company and Geely Holding (the electric vehicle agreement and the supplemental electric vehicle agreement have an effective term until 31 December 2018)***

Pursuant to the electric vehicle agreement dated 13 November 2015 and the supplemental electric vehicle agreement dated 5 October 2016, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the electric vehicle agreement with the largest annual cap being RMB9,487,180,000 for the three years ending 31 December 2018.

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

The Shareholders' meetings in respect of the aforesaid electric vehicle agreement and the supplemental electric vehicle agreement were held on 30 December 2015 and 28 November 2016, respectively, and the electric vehicle agreement and the supplemental electric vehicle agreement were duly approved by the then Independent Shareholders.

***Information technology services agreement between the Company and Geely Holding (the information technology services agreement has an effective term until 31 December 2018)***

Pursuant to the information technology services agreement dated 13 November 2015, the Geely Holding Group agreed to provide certain information technology services to the Group with the largest annual cap being RMB70,827,000 for the three years ending 31 December 2018.

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

***Business travel services agreement dated 13 November 2015 between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2018)***

Pursuant to the business travel services agreement dated 13 November 2015 (the "**2015 Business Travel Services Agreement**"), the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB126,732,000 for the three years ending 31 December 2018.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2015 Business Travel Services Agreement are less than 5% on an annual basis, the 2015 Business Travel Services Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

*Volvo finance cooperation agreements among Genius AFC, Volvo Car Distribution (Shanghai) Co., Ltd. and 中嘉汽車製造(上海)有限公司 (Zhongjia Automobile Manufacturing (Shanghai) Company Limited\*) (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (the Volvo finance cooperation agreements have an effective term until 31 December 2018)*

- *Wholesale facility agreements between Genius AFC and the Volvo Dealers (as defined in the circular of the Company dated 28 January 2016) (the wholesale facility agreements have an effective term until 31 December 2018)*

Pursuant to the Volvo finance cooperation agreements dated 11 December 2015, Genius AFC agreed to enter into wholesale facility agreements with the Volvo Dealers to provide vehicle financing to the Volvo Dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB49,000 million for the three years ending 31 December 2018.

- *Retail loan cooperation agreements between Genius AFC and the Volvo Dealers (the retail loan cooperation agreements have an effective term until 31 December 2018)*

Pursuant to the Volvo finance cooperation agreements dated 11 December 2015, Genius AFC agreed to enter into retail loan cooperation agreements with the Volvo Dealers pursuant to which the Volvo Dealers shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB11,000 million for the three years ending 31 December 2018.

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

The Shareholders' meeting in respect of the aforesaid Volvo finance cooperation agreements was held on 18 February 2016 and the Volvo finance cooperation agreements were duly approved by the then Independent Shareholders.

*Kandi automobile parts supply agreement dated 25 July 2016 between the Company and 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.\*) (the "Kandi JV") (the Kandi automobile parts supply agreement dated 25 July 2016 has an effective term until 31 December 2018)*

Pursuant to the Kandi automobile parts supply agreement dated 25 July 2016 (the "**2016 Kandi Automobile Parts Supply Agreement**"), the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB317,991,000 for the three years ending 31 December 2018.



As the applicable percentage ratios of the continuing connected transactions contemplated under the 2016 Kandi Automobile Parts Supply Agreement are over 0.1% but less than 5% on an annual basis, the 2016 Kandi Automobile Parts Supply Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Electric vehicle CKD supply agreement dated 25 July 2016 between the Company and Geely Holding (the electric vehicle CKD supply agreement has an effective term until 31 December 2018)***

Pursuant to the electric vehicle CKD supply agreement dated 25 July 2016 (the “**2016 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 RMB1,185,914,000 for the three years ending 31 December 2018.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2016 EV CKD Supply Agreement are over 0.1% but less than 5% on an annual basis, the 2016 EV CKD Supply Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Proton sales agreement between the Company and Geely Holding (the Proton sales agreement has an effective term until 31 December 2020)***

Pursuant to the proton sales agreement dated 24 September 2018 (the “**Proton Sales Agreement**”), the Group agreed to sell to the Geely Holding Group CBUs, CKDs and related after-sales parts of the Licensed Models (as defined in the announcement of the Company dated 24 September 2018) with the largest annual cap being RMB4,147,700,048 for the three years ending 31 December 2020.

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

***Automobile parts supply agreement among the Company, Geely Holding and 領克投資有限公司 (LYNK & CO Investment Company Limited\*) (“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 with the largest annual cap being RMB247,202,000 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, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Business travel services agreement dated 5 October 2018 between the Company and Geely Holding (the business travel services agreement dated 5 October 2018 has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the business travel services agreement dated 5 October 2018 (the “**2018 Business Travel Services Agreement**”), the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB661,550,000 for the three years ending 31 December 2018.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2018 Business Travel Services Agreement are over 0.1% but less than 5% on an annual basis, the 2018 Business Travel Services Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Electric vehicle CKD supply agreement dated 5 October 2018 between the Company and Geely Holding (the electric vehicle CKD supply agreement dated 5 October 2018 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 “**2018 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 RMB3,270,180,000 for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2018 Zhidou EV CKD Supply Agreement are over 0.1% but less than 5% on an annual basis, the 2018 Zhidou EV CKD Supply Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Kandi automobile parts supply agreement dated 5 October 2018 between the Company and 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.\*) (the “Kandi JV”) (the Kandi automobile parts supply agreement dated 5 October 2018 has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the Kandi automobile parts supply agreement dated 5 October 2018 (the “**2018 Kandi Automobile Parts Supply Agreement**”), the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB384,621,000 for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2018 Kandi Automobile Parts Supply Agreement are over 0.1% but less than 5% on an annual basis, 2018 Kandi Automobile Parts Supply Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

*Warehouse services agreement between the Company and 領克投資有限公司 (LYNK & CO Investment Company Limited\*) (“LYNK & CO”, together with its subsidiaries, the “LYNK & CO Group”) (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 “**Warehouse Services Agreement**”), 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 RMB182,889,000 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, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

*Services agreement dated 5 October 2018 between the Company and Geely Holding (the services agreement will have an effective term from 1 January 2019 to 31 December 2021 subject to the approval by the Independent Shareholders)*

- *Sales of complete knock down kits (“CKDs”) from the Group to the Geely Holding Group*

Pursuant to the services agreement dated 5 October 2018 (the “**2018 Services Agreement**”), the Group conditionally agreed to supply to the Geely Holding Group the CKDs manufactured by the Group with the largest annual cap of RMB293,775,381,000 for the three years ending 31 December 2021.

- *Sales of complete buildup units (“CBUs”), automobile parts and component from the Geely Holding Group to the Group*

Pursuant to the 2018 Services Agreement, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components to the Group with an aggregate largest annual cap of RMB362,984,212,000 for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2018 Services Agreement are higher than 5% on an annual basis, the 2018 Services Agreement is subject to the reporting, annual review, announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the 2018 Services Agreement will be held on 7 December 2018 and the 2018 Services Agreement will be subject to the approval by the Independent Shareholders.

*Electric vehicle agreement among the Company, Geely Holding and the GGL (the electric vehicle agreement will have an effective term from 1 January 2019 to 31 December 2021 subject to the approval by the Independent Shareholders)*

Pursuant to the electric vehicle agreement dated 5 October 2018 (the "**2018 Electric Vehicle Agreement**"), the Group conditionally agreed to sell the CBUs of electric vehicles to the Geely Holding Group and the GGL Group with the largest annual cap being RMB22,060,747,000 for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2018 Electric Vehicle Agreement are higher than 5% on an annual basis, the 2018 Electric Vehicle Agreement is subject to the reporting, annual review, announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meetings in respect of the 2018 Electric Vehicle Agreement will be held on 7 December 2018 and the 2018 Electric Vehicle Agreement will be subject to the approval by the Independent Shareholders.

*Automobile components procurement agreement between the Company and Geely Holding (the automobile components procurement agreement will have an effective term from 1 January 2019 to 31 December 2021 subject to the approval by the Independent Shareholders)*

Pursuant to the automobile components procurement agreement dated 5 October 2018, the Group conditionally agreed to procure automobile components manufactured by and from the Geely Holding Group with the largest annual cap being RMB33,591,637,000 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 requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meetings in respect of the aforementioned automobile components procurement agreement will be held on 7 December 2018 and the automobile components procurement agreement will be subject to the approval by the Independent Shareholders.

**(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 2017, 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>
Dakin 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, Dakin 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 2017, 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 October 2017 entered into between Zhejiang Jirun and LYNK & CO pursuant to which Zhejiang Jirun agreed to dispose of the entire equity interests in 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited\*), to LYNK & CO for a cash consideration of RMB100,000,000;
- (ii) the acquisition agreement dated 7 November 2017 entered into between 浙江吉利動力總成有限公司 (Zhejiang Geely Dongli Zongcheng Company Limited\*) (“**Zhejiang Dongli**”) and Zhejiang Geely pursuant to which Zhejiang Dongli agreed to acquire and Zhejiang Geely agreed to sell the entire registered capital of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited\*) for a cash consideration of RMB345,100,000;
- (iii) the acquisition agreement dated 7 November 2017 entered into amongst Zhejiang Dongli, Zhejiang Geely and Shanghai Maple pursuant to which Zhejiang Dongli agreed to acquire, and Zhejiang Geely and Shanghai Maple agreed to sell the entire registered capital of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited\*) for a cash consideration of RMB495,000,000;
- (iv) the acquisition agreement dated 7 November 2017 entered into between Zhejiang Dongli and Geely Holding pursuant to which Zhejiang Dongli agreed to acquire and Geely Holding agreed to sell the entire registered capital of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited\*) for a cash consideration of RMB993,100,000;
- (v) the joint venture agreement dated 24 April 2018 entered into between Zhejiang Dongli and AISIN AW Co., Ltd. (愛信AW株式會社\* or “**AISIN AW**”) pursuant to which they agreed to form a joint venture to principally engage in the manufacture and sales of front-wheel drive 6-speed automatic transmissions and related parts and components. Pursuant to such joint venture agreement, the registered capital of the joint venture is US\$117,000,000 (equivalent to RMB733,590,000), and is contributed as to 40% (US\$46,800,000 or equivalent to RMB293,436,000) in cash by Zhejiang Dongli and as to 60% (US\$70,200,000 or equivalent to RMB440,154,000) in cash by AISIN AW;
- (vi) the acquisition agreement dated 18 July 2018 entered into between Zhejiang Jirun and Hangzhou Components pursuant to which Zhejiang Jirun conditionally agreed to acquire and Hangzhou Components conditionally agreed to sell the entire registered capital of 杭州吉利汽車有限公司 (Hangzhou Geely Automobile Company Limited\*) for a cash consideration of RMB930,620,464.36;

- (vii) the acquisition agreement dated 18 July 2018 entered into between Zhejiang Jirun and Guizhou New Energy pursuant to which Zhejiang Jirun conditionally agreed to acquire and Guizhou New Energy conditionally agreed to sell the entire registered capital of 貴州吉利汽車部件有限公司 (Guizhou Geely Automobile Components Company Limited\*) for a cash consideration of RMB1,074,308,970.43;
- (viii) the acquisition agreement dated 18 July 2018 entered into between Zhejiang Jirun and Zhejiang Geely pursuant to which Zhejiang Jirun conditionally agreed to acquire and Zhejiang Geely conditionally agreed to sell the entire registered capital of 寧波吉潤汽車部件有限公司 (Ningbo Jirun Automobile Components Company Limited\*) for a cash consideration of RMB1,169,398,629.60;
- (ix) the licensing agreement dated 24 September 2018 entered into between the Company and Geely Holding pursuant to which the Group agreed to license the intellectual properties and the foreground intellectual properties to Geely Holding for the design, development, manufacture, sale, marketing and distribution of the licensed models within the licensed regions during the licensed period. Pursuant to the licensing agreement, Geely Holding is permitted to sub-license the intellectual properties and the foreground intellectual properties to the Proton Group for their design, development, manufacture, sale, marketing and distribution of the licensed models within the licensed regions during the licensed period. The total license fee for the intellectual properties is RMB1,344,000,000;
- (x) the acquisition agreement dated 5 October 2018 entered into between Zhejiang Dongli and 台州吉利羅佑發動機有限公司 (Taizhou Geely Luoyou Engines Company Limited\* or “**Taizhou Engines**”) pursuant to which Zhejiang Dongli conditionally agreed to acquire and Taizhou Engines conditionally agreed to sell the entire registered capital of 台州濱海吉利發動機有限公司 (Taizhou Binhai Geely Engine Company Limited\*) for a cash consideration of RMB781,274,109; and
- (xi) the acquisition agreement dated 5 October 2018 entered into between Zhejiang Dongli and 貴陽吉利發動機有限公司 (Guiyang Geely Engines Company Limited\* or “**Guiyang Engines**”) pursuant to which Zhejiang Dongli conditionally agreed to acquire and Guiyang Engines conditionally agreed to sell the entire registered capital of 貴州吉利發動機有限公司 (Guizhou Geely Engine Company Limited\*) for a cash consideration of RMB484,003,363.

## 8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, Uglund 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 AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM on Friday, 7 December 2018:

- (a) The copies of Volvo Finance Cooperation Agreements and EV Finance Cooperation Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the audited consolidated financial statements of the Group for the financial years ended 31 December 2016 and 31 December 2017;
- (d) the condensed consolidated financial statements of the Group for the six months ended 30 June 2018;
- (e) the contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (f) the letter from the Independent Board Committee;
- (g) the letter from Independent Financial Adviser;
- (h) the written consents from Dakin Capital Limited referred to in the paragraph headed "Qualification of expert" in this appendix; and
- (i) this circular.



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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**”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 7 December 2018 at 4:00 p.m. or at any adjournment 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 renewal of the cooperation agreements dated 11 December 2015 entered into between the Genius AFC (as defined in the circular of the Company dated 20 November 2018 (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 “**A**” 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 2021 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.”

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## NOTICE OF EGM

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2. **“THAT:**

- a) the conditional cooperation agreement dated 5 October 2018 entered into between the Genius AFC and Geely Holding (as defined in the Circular) (the **“EV Finance Cooperation Agreement”**), copies of which are tabled at the meeting and marked **“B”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to supply vehicle financing services to the EV Dealers (as defined in the Circular) and EV Retail Customers (as defined in the Circular) for their purchase of Geely EVs (as defined in the Circular), be and are hereby approved, ratified and confirmed;
- b) the EV Annual Caps (Wholesale) (as defined in the Circular) and the EV Annual Caps (Retail) (as defined in the Circular) in respect of the maximum new financing amounts to be provided by Genius AFC to EV Dealers (as defined in the Circular) and EV Retail Customers (as defined in the Circular) respectively as set out in the Circular for each of the three financial years ending 31 December 2021 be and are hereby approved; and
- c) subject to paragraphs (a) and (b) above, the EV Wholesale Facility Agreements (as defined in the Circular), pursuant to which Genius AFC agreed to carry out the EV Wholesale Financing (as defined in the Circular), and the EV Retail Loan Cooperation Agreement and the EV Retail Loan Agreements (in each case as defined in the Circular), pursuant to which Genius AFC agreed to carry out the EV Retail Financing (as defined in the Circular), collectively the **“EV Financing Arrangements”** (as defined in the Circular), be and are hereby approved, ratified and confirmed; and
- d) 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 EV Finance Cooperation Agreement and EV Financing Arrangements.”

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

Hong Kong, 20 November 2018

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## NOTICE OF EGM

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*Notes:*

- (1) 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.
- (2) 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.
- (3) 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.

*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, the non-executive director of the Company is Mr. Carl Peter Edmund Moriz Forster and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang.*