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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE YW ACQUISITION**

**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 pages 15 to 16 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 17 to 35 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 Monday, 10 June 2019 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 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.

22 May 2019

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	15
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	17
<b>APPENDIX I – PROPERTY VALUATION REPORT</b> .....	I-1
<b>APPENDIX II – GENERAL INFORMATION</b> .....	II-1
<b>NOTICE OF EGM</b> .....	EGM-1

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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
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“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”	has the meaning ascribed thereto under the Listing Rules
“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 YW Acquisition
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent 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 YW Acquisition
“Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the YW Acquisition

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## DEFINITIONS

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“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Independent Valuer”	Asia-Pacific Consulting and Appraisal Limited, an independent valuer
“Latest Practicable Date”	17 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and owned as to 50% by Zhejiang Jirun, 20% by Zhejiang Haoqing and 30% by VCI as at the Latest Practicable Date
“LYNK & CO Group”	LYNK & CO and its subsidiaries
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associate holding 44.45% interests in the total issued share capital of the Company as at the Latest Practicable Date
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce or its local bureaus
“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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“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report on the YW Properties prepared by the Independent Valuer
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*), a limited liability company established in the PRC and a wholly owned subsidiary of Volvo Car Corporation, which in turn is indirectly 99% owned by Geely Holding
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and an indirect 99% owned subsidiary of Geely Holding
“Yiwu Engines”	義烏吉利發動機有限公司 (Yiwu Geely Engines Company Limited*), a private limited liability company incorporated in the PRC, and a wholly owned subsidiary of Zhejiang Geely as at the Latest Practicable Date
“YW Acquisition”	the acquisition of the entire registered capital of the YW Target by Zhejiang Powertrain from Yiwu Engines pursuant to the YW Acquisition Agreement
“YW Acquisition Agreement”	the acquisition agreement entered into between Zhejiang Powertrain and Yiwu Engines on 29 April 2019 in relation to the YW Acquisition
“YW Properties”	an industrial complex located in Chi’an Town, Yiwu City, Zhejiang Province, the PRC
“YW Property Value”	market value of the YW Properties as stated in the Valuation Report
“YW Shareholder’s Loan”	interest-free loan up to a maximum amount of RMB2,519 million on the completion date of the YW Acquisition made to the YW Target by the Geely Holding Group
“YW Target”	義烏吉利動力總成有限公司 (Yiwu Geely Powertrain Company Limited*), a limited liability company incorporated in the PRC, and a wholly owned subsidiary of Yiwu Engines as at the Latest Practicable Date

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## DEFINITIONS

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“Zhejiang Powertrain”	浙江吉利動力總成有限公司 (Zhejiang Geely Powertrain Company Limited*), a private company incorporated in the PRC and indirectly owned as to 99.1% by the Company as at the Latest Practicable Date
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a private company incorporated in the PRC and owned as to 71.05% by Geely Holding and as to 28.95% by other Mr. Li’s interested entities as at the Latest Practicable Date
“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and a 98.5% owned subsidiary of Geely Holding
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC and an indirect 99% owned subsidiary of the Company
“%”	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  
Cayman Islands

*Principal Place of Business in*

*Hong Kong:*

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

22 May 2019

*To the Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE YW ACQUISITION**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 29 April 2019 in relation to, among other things, the YW Acquisition.

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

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## LETTER FROM THE BOARD

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### DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE YW ACQUISITION

Principal terms of the YW Acquisition Agreement are set out below:

#### **Date**

29 April 2019 (after trading hours)

#### **Parties**

Vendor: Yiwu Engines

Purchaser: Zhejiang Powertrain

Zhejiang Powertrain is principally engaged in the research, development, production, marketing and sale of engines and related components in the PRC, and is an indirect 99.1% owned subsidiary of the Company. The remaining 0.9% interests in Zhejiang Powertrain is indirectly held by entities in which Mr. Li is interested as at the Latest Practicable Date.

Yiwu Engines is principally engaged in the preparation and construction of engine manufactory projects. Yiwu Engines is wholly owned by Zhejiang Geely, which in turn is owned as to 71.05% by Geely Holding and as to 28.95% by other Mr. Li's interested entities.

#### **Subject matter**

Pursuant to the YW Acquisition Agreement, Zhejiang Powertrain conditionally agreed to acquire, and Yiwu Engines conditionally agreed to sell, the entire registered capital of the YW Target. Details of the YW Target are set out in the section headed "Information on the YW Target" below.

Upon completion of the YW Acquisition, the YW Target will become a wholly owned subsidiary of Zhejiang Powertrain, and the financial results of the YW Target will be consolidated into the financial statements of the Group.

#### **Consideration**

The consideration for the YW Acquisition is RMB322,205,872, which will be payable in cash within three months from the date of completion of the YW Acquisition.

The consideration for the YW Acquisition was determined after arm's length negotiations between Zhejiang Powertrain and Yiwu Engines with reference to (i) the net asset value of the YW Target prepared under the HKFRS as at 31 March 2019 of RMB322,033,083; and (ii) the valuation premium of the YW Properties of RMB172,789, being the difference between (a) the YW Property Value of RMB293,000,000; and (b) the carrying value of the YW Properties of approximately RMB292,827,211 as at 31 March 2019.



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## LETTER FROM THE BOARD

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Save for the land use rights for the two parcels of land comprising the YW Properties which were acquired by Yiwu Engines on 4 July 2017 and 7 February 2018 for a consideration of RMB39.1 million and RMB3.5 million, respectively, neither the YW Target nor the YW Properties was acquired by Mr. Li, the Geely Holding Group or any connected persons of the Company.

It is expected that the consideration for the YW Acquisition will be funded by internal resources of the Group.

### Undertaking in respect of the YW Properties

The YW Properties is an industrial complex located in Chi'an Town, Yiwu City, Zhejiang Province, the PRC. According to the Valuation Report, as at 31 March 2019, the YW Properties comprised:

- (i) two parcels of land with a total site area of 169,116.54 sq.m.; and
- (ii) ten industrial and ancillary buildings with a total gross floor area of 94,083.06 sq.m., the construction of which is expected to be completed in the second quarter of 2019 (the “**YW Construction-In-Progress**”).

As at the Latest Practicable Date, Yiwu Engines holds two real estate rights certificates, one construction land planning permit, one construction work planning permit and one construction work commencement permit for the YW Properties. According to the legal opinion of the PRC legal adviser to the Company, (i) the above certificates and permits for the YW Properties are true, legal and valid; and (ii) the YW Properties are free from guarantee, pledge and encumbrances, and are not subject to seizure by the court. In light of the time it takes to transfer the relevant certificates and permits for the YW Properties from Yiwu Engines to the YW Target, which is unlikely to be completed before the completion of the YW Acquisition, Yiwu Engines has undertaken to Zhejiang Powertrain in the YW Acquisition Agreement that the legal titles of the YW Properties will be transferred to the YW Target in accordance with the applicable laws in the PRC on or before 31 December 2021, subject to completion of the YW Acquisition.

As stated in the legal opinion of the PRC legal adviser to the Company, (i) the YW Construction-In-Progress is in compliance with the requirements of the relevant laws; (ii) upon completing the general procedures for obtaining real estate rights certificates, including the acceptance for fire safety, acceptance for greening, land acceptance, archive, quality inspection filing, property survey procedures, etc. with the relevant authorities, there are no legal impediments to the obtaining of the title certificates for the YW Construction-In-Progress; and (iii) the use of the YW Properties by the YW Target for production will not be affected even before the completion of the transfer of the legal titles of the YW Properties to the YW Target.

Pursuant to the YW Acquisition Agreement, subject to completion of the YW Acquisition, in the event that the obtaining and transfer of the legal titles of the YW Properties cannot be completed on or before 31 December 2021, Yiwu Engines will (i) indemnify Zhejiang Powertrain for the loss arising therefrom, which will equal to the then valuation of the YW Properties prepared by a third party valuer approved by the parties to the YW Acquisition Agreement (the “**YW Indemnification Amount**”); and (ii) pay to Zhejiang Powertrain a penalty calculated based on an annual interest rate of 4.35% of the YW Indemnification Amount (the “**YW Penalty**”), which was determined after arm's length negotiations

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## LETTER FROM THE BOARD

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between the parties to the YW Acquisition Agreement with reference to the prevailing interest rate of 4.35% on short term loan (within one year) offered by the People's Bank of China. Further, Yiwu Engines has undertaken to Zhejiang Powertrain that, in the case where Yiwu Engines is required to indemnify Zhejiang Powertrain the YW Indemnification Amount for the loss pursuant to the YW Acquisition Agreement, the YW Indemnification Amount will in any event be not less than the consideration paid by Zhejiang Powertrain to Yiwu Engines for the YW Acquisition, that is, RMB322,205,872. The Directors (including the independent non-executive Directors) consider that the basis for determining the YW Indemnification Amount is fair and reasonable and in the interests of the Company and the Shareholders as a whole, given that (i) both the YW Indemnification Amount (that is, the amount payable by Yiwu Engines to Zhejiang Powertrain if the legal titles of the YW Properties cannot be obtained on or before 31 December 2021) and the portion of the consideration attributable to the YW Properties payable by Zhejiang Powertrain to Yiwu Engines under the YW Acquisition are based on the then valuation on the YW Properties prepared by an independent valuer; (ii) the YW Indemnification Amount for the loss will in any event be not less than the consideration paid by Zhejiang Powertrain to Yiwu Engines for the YW Acquisition. The Directors (including the independent non-executive Directors) consider the rate for calculating the YW Penalty of 4.35% per annum is fair and reasonable after taking into account (i) as at the Latest Practicable Date, the Company does not consider there is a better investment opportunity for the funds which, subject to completion of the YW Acquisition, will be used to settle the consideration for the YW Acquisition; and (ii) the weighted average effective interest rate of the bank borrowings of the Group was 3.57% for the year ended 31 December 2018.

In the event that the obtaining and transfer of the legal titles of the YW Properties cannot be completed on or before 31 December 2021, it is the intention of the parties to the YW Acquisition Agreement to appoint an independent valuer as soon as practicable to determine the then valuation of the YW Properties, and the YW Indemnification Amount together with the YW Penalty, which will be calculated with retrospective effect since the date of completion of the YW Acquisition, and will be indemnified and paid in full by Yiwu Engines in cash as soon as practicable but in any event not later than 30 calendar days upon the issuance of the then valuation report on the YW Properties prepared by the independent valuer. In the event that the obtaining and transferring of the legal titles of the YW Properties cannot be completed on or before 31 December 2021, the Company will make further announcement to update the Shareholders on the status of the YW Properties as well as the actual and/or potential impact thereof on the Group.

Notwithstanding the foregoing, Yiwu Engines, being the existing holder of the real estate rights certificates and the relevant permits for the YW Properties, has undertaken to Zhejiang Powertrain and the YW Target that, subject to completion of the YW Acquisition, the YW Target can continue to occupy and use the YW Properties free of charge regardless of whether the obtaining of and/or transfer of the legal titles to the YW Properties can be completed on or before 31 December 2021 or at all. Taking into account the opinion of the PRC legal adviser and the undertakings by Yiwu Engines as abovementioned, the operation of the YW Target is not expected to be affected even if the obtaining of and/or transferring of the legal titles to the YW Properties is not completed by 31 December 2021.

Having considered (i) the basis for determination of the consideration for the YW Acquisition as disclosed above; (ii) the legal opinion from the PRC legal adviser to the Company that (a) the use of the YW Properties by the YW Target for production will not be affected even before the completion of transfer of the legal titles to the YW Properties from Yiwu Engines to the YW Target; and (b) there are no legal

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## LETTER FROM THE BOARD

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impediments to the obtaining of the title certificates for the YW Construction-In-Progress upon completing the general procedures for obtaining real estate rights certificates with the relevant authorities; and (iii) in the event that the obtaining and transferring of the legal titles to the YW Properties cannot be completed on or before 31 December 2021, Yiwu Engines will indemnify Zhejiang Powertrain the YW Indemnification Amount for the loss, and will pay to Zhejiang Powertrain the YW Penalty, the Directors (including the independent non-executive Directors) consider the terms of the YW Acquisition fair and reasonable.

### **YW Shareholder's Loan**

Pursuant to the YW Acquisition Agreement, the outstanding YW Shareholder's Loan up to a maximum amount of RMB2,519 million on the completion date of the YW Acquisition will be repaid by the Group to the Geely Holding Group within six months from the completion of the YW Acquisition. Such YW Shareholder's Loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

As at 31 March 2019 and the Latest Practicable Date, the outstanding amount of the YW Shareholder's Loan was RMB1,698.41 million and RMB1,972.92 million, respectively. The difference between the outstanding amount of the YW Shareholder's Loan as at the Latest Practicable Date and the maximum amount of the YW Shareholder's Loan of RMB2,519 million on the completion date of the YW Acquisition represents the expected amount to be contributed by Yiwu Engines in the form of shareholder's loan for the construction of the YW Properties and purchase of machinery and equipment for the production facility of the YW Target from the Latest Practicable Date to the completion date of the YW Acquisition.

### **Conditions precedent**

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

- (i) Zhejiang Powertrain being satisfied with the results of its due diligence review on the YW Target, including, but not limited to, the possession by the YW Target of all approvals, consents and permits, and completion of all filings necessary to conduct the business operations of the YW Target;
- (ii) the Company having obtained the Independent Shareholders' approval at the EGM for the YW Acquisition Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the YW Acquisition, including but not limited to, the obtaining of the new business license of the YW Target and the SAIC's website indicating that Zhejiang Powertrain is the sole shareholder of the YW Target;

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## LETTER FROM THE BOARD

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

In respect of condition (iii) above, to the best of the Directors' knowledge, as at the Latest Practicable Date, there are no material approvals, consents, filings and/or waivers required for the YW Acquisition apart from the application to be made to SAIC for the transfer of the entire registered capital of the YW Target from Yiwu Engines to Zhejiang Powertrain. In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the YW Acquisition Agreement (or such later date as the parties may agree in writing), any party to the YW Acquisition Agreement will have the right to terminate the YW Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the YW Acquisition Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the YW Acquisition Agreement will become null and void upon such termination and the YW Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

### **Completion of the YW Acquisition**

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

### **INFORMATION ON THE YW TARGET**

#### **Principal businesses of the YW Target**

The YW Target is a private limited liability company incorporated in the PRC on 21 February 2019. It is principally engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC.

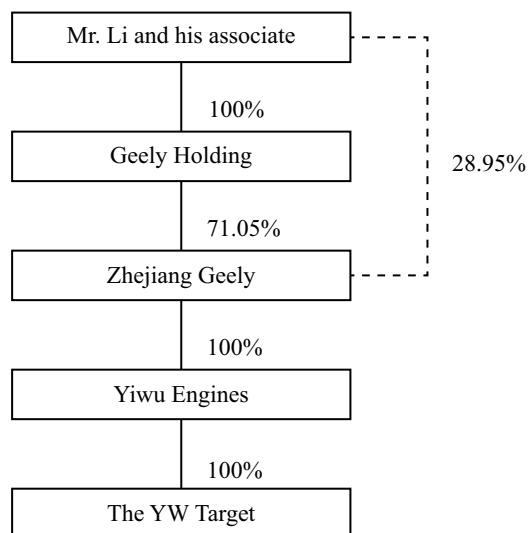
The YW Target currently has a production facility under construction with a planned production capacity of 720,000 units of engines per annum upon full scale of operation. It is currently expected that the construction of the YW Construction-In-Progress will be completed in the second quarter of 2019 and the commercial production will commence in the third quarter of 2019. The major products to be produced by the YW Target are three-cylinder turbo-charged engines and four-cylinder turbo-charged engines.

## LETTER FROM THE BOARD

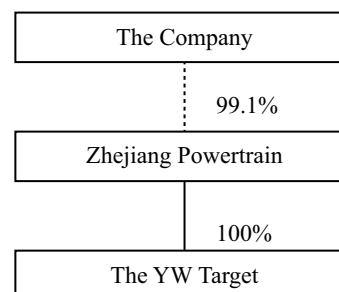
### Shareholding structure of the YW Target

The following diagrams set out the shareholding structures of the YW Target before and upon completion of the YW Acquisition:

#### As at the Latest Practicable Date



#### Upon completion of the YW Acquisition



- Direct interests
- ..... Indirect interests
- - - Through Mr. Li's interested entities

### Financial information of the YW Target

Set out below is the unaudited financial information of the YW Target for the period as indicated below prepared under the HKFRS:

**From 21 February 2019  
to 31 March 2019**  
(Unaudited)  
*RMB'000*

Revenue	—
Loss before taxation	(263)
Loss after taxation	(263)

The unaudited net asset value of the YW Target as at 31 March 2019 amounted to approximately RMB322.03 million, which consisted of total assets of approximately RMB2,020.45 million and total liabilities of approximately RMB1,698.41 million. Total assets mainly comprised the YW Properties and machinery and equipment for manufacturing purposes of approximately RMB1,431.21 million. Total liabilities mainly comprised trade and other payables of approximately RMB1,698.41 million, which primarily represented the YW Shareholder's Loan for the construction of the YW Properties and purchase of

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## LETTER FROM THE BOARD

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machinery and equipment. As at 31 March 2019 and the Latest Practicable Date, the outstanding YW Shareholder's Loan amounted to approximately RMB1,698.41 million and RMB1,972.92 million, respectively.

### REASONS FOR AND BENEFITS OF THE YW ACQUISITION

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

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

As disclosed in the section headed "Information on the YW Target", the YW Target is principally engaged in technology research and development, technology consultancy services, manufacture and sale of automobile engines and provision of after-sales services in the PRC.

Upon completion of the YW Acquisition, the vehicle engines to be manufactured by the YW Target will be used in the Group's top-end vehicle models and will also be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the LYNK & CO Group for use in the LYNK & CO-branded vehicles. The vehicle engines to be manufactured by the YW Target will possess superior performance in terms of power output and fuel consumption as well as characteristics of low carbon emission, which are targeted to meet the needs of the Group, the LYNK & CO Group and the Geely Holding Group for high performance and multi-functional vehicles.

Pursuant to the YW Acquisition Agreement, the consideration for the YW Acquisition is RMB322,205,872, and the maximum amount of the outstanding YW Shareholder's Loan to be repaid by the Group to the Geely Holding Group is RMB2,519 million. Despite that, as at 31 December 2018, the Group had bank balances and cash of RMB15.7 billion, and that the management of the Company does not consider there is better investment opportunity for the funds which, subject to completion of the YW Acquisition, will be used to settle the consideration for the YW Acquisition and the repayment of the YW Shareholder's Loan, the consideration for the YW Acquisition and the repayment of the YW Shareholder's Loan will still, to some extent, reduce the working capital of the Group. Notwithstanding the foregoing, having considered that the YW Acquisition will bring additional production capacities of high performance vehicle engines to the Group which will enhance the Group's production capability and generate income for the Group on a long-term basis, the Directors (including the independent non-executive Directors) consider that, although the YW Acquisition Agreement is not entered into in the ordinary and usual course of business of the Group, the YW Acquisition Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Yiwu Engines is wholly owned by Zhejiang Geely. Zhejiang Geely is owned (i) as to 71.05% by Geely Holding, which in turn is ultimately wholly owned by Mr. Li and his associates, and (ii) as to 28.95% by other Mr. Li's interested entities. As such, Yiwu Engines is an associate of Mr. Li and a connected person of the Company. Accordingly, the transaction contemplated under the YW Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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One or more of the applicable percentage ratios in respect of the YW Acquisition are more than 0.1% but less than 5%. However, as one or more of the applicable percentage ratios of the YW Acquisition, when aggregated with the previous acquisitions of the Group with the Geely Holding Group within one year pursuant to Rule 14A.81 of the Listing Rules as a whole are more than 5%, the YW Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details of the previous acquisitions, please refer to the announcements of the Company dated 18 July 2018 and 5 October 2018.

Furthermore, as one or more of the applicable percentage ratios of the YW Acquisition, when aggregated with the previous acquisitions of the Group with the Geely Holding Group within one year pursuant to Rule 14.22 of the Listing Rules as a whole are more than 5% but less than 25%, the YW Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 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 YW Acquisition by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving the YW Acquisition.

Mr. Li and his associates together holding 4,042,618,000 Shares (representing approximately 44.45% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 6,000,000 Shares (representing approximately 0.07% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 600,000 Shares (representing approximately 0.007% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 108,000 Shares (representing approximately 0.001% of the total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolution to be proposed at the EGM to approve the YW Acquisition.

As at the Latest Practicable Date, the Company is not in negotiation nor has an intention to enter into any continuing connected transactions with its connected persons after completion of the YW Acquisition which are expected to be arisen from the YW Acquisition but are not within the scope of the existing continuing connected transactions of the Company which have been announced and approved by the Independent Shareholders as at the Latest Practicable Date.

### **EGM**

The EGM will be convened to consider and approve the YW Acquisition. A notice to convene the EGM is set out on pages EGM-1 to EGM-2 of this circular.

The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Monday, 10 June 2019 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

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## LETTER FROM THE BOARD

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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 YW Acquisition 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 17 to 35 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular.

The Board (including the independent non-executive Directors) considers that, although the YW Acquisition Agreement and the transaction contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms of the YW Acquisition Agreement and the transaction contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, which are respectively set out on pages 15 to 16 and pages 17 to 35 of this circular. Additional information is also set out in the appendices 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 YW Acquisition 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)

22 May 2019

*To the Independent Shareholders,*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE YW ACQUISITION**

We refer to the circular dated 22 May 2019 (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 the YW Acquisition Agreement are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders.

We wish to draw your attention to the letter from the Board as set out on pages 15 to 16 of the Circular and the letter from the Independent Financial Adviser as set out on pages 17 to 35 of the Circular which contains, inter alia, their advice and recommendation to us regarding the terms of the YW Acquisition with the principal factors and reasons for those advice and recommendation.

### **RECOMMENDATION**

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that, although the YW Acquisition Agreement and the transaction contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms of the YW Acquisition Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the YW Acquisition.

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.*



22 May 2019

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE YW ACQUISITION**

#### **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 YW Acquisition Agreement, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular to the Shareholders dated 22 May 2019 (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 the context otherwise requires.

On 29 April 2019 (after trading hours), Zhejiang Powertrain, an indirect 99.1% owned subsidiary of the Company, with the remaining 0.9% shareholding interests being indirectly held by entities in which Mr. Li is interested as at the Latest Practicable Date, entered into the YW Acquisition Agreement with Yiwu Engines, pursuant to which Zhejiang Powertrain conditionally agreed to acquire, and Yiwu Engines conditionally agreed to sell, the entire registered capital of the YW Target, for a cash consideration of RMB322,205,872.

As at the Latest Practicable Date, Yiwu Engines is wholly owned by Zhejiang Geely. Zhejiang Geely is owned (i) as to 71.05% by Geely Holding, which in turn is ultimately wholly owned by Mr. Li and his associates; and (ii) as to 28.95% by other Mr. Li’s interested entities. As such, Yiwu Engines is an associate of Mr. Li and a connected person of the Company. Accordingly, the YW Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Although the applicable percentage ratios in respect of the YW Acquisition are more than 0.1% but less than 5%, one or more of such applicable percentage ratios, when aggregated with the previous acquisitions of the Group with the Geely Holding Group within one year pursuant to Rule 14A.81 of the Listing Rules as a whole are more than 5%. As such, the YW Acquisition is subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, as one or more of the applicable percentage ratios of the YW Acquisition, when aggregated with the previous acquisitions of the Group with the Geely Holding Group within one year pursuant to Rule 14.22 of the Listing Rules as a whole are more than 5% but less than 25%, the YW Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 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, each being an independent non-executive Director, has been established to advise the Independent Shareholders on whether the YW Acquisition Agreement is entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Independent Shareholders. We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Dakin Capital Limited did not have any relationship or interest with the Company or any other party that could reasonably be regarded as relevant to the independence of Dakin Capital Limited. Apart from acting as the Independent Financial Adviser, we also acted as an independent financial adviser to advise the independent board committee of the Company and the then independent shareholders of the Company in relation to other discloseable and connected transactions and continuing connected transactions of the Company during the last two years and up to the date hereof, details of which are set out in the Company's circular dated 8 December 2017, 18 August 2018, 20 November 2018 and 26 February 2019, respectively. Apart from normal professional fees paid or payable to us in connection with such appointments as the independent financial adviser, no arrangements exist whereby we have received or will receive any fee or benefit 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 have not made any independent evaluation or appraisal of the assets and liabilities of the YW Target, and we have not been furnished with any such evaluation or appraisal, save and except for the Valuation Report as set out in Appendix I to the Circular. The Valuation Report was prepared by the Independent Valuer. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the valuation of the YW Properties as at 31 March 2019 (the “**Valuation**”).

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 opinion 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 or any of their respective subsidiaries or associates.

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 YW Acquisition Agreement, we have taken into account the following principal factors and reasons:

#### 1. Automobile industry in the PRC

##### (i) *Nationwide light-duty vehicle emission standard*

With the aim of significantly reducing air pollutant emissions from light-duty vehicles and addressing severe air pollution in the PRC, the Ministry of Ecology and Environmental Protection (MEE) of People’s Republic of China released the final rule of the “Limits and Measurement Methods for Emissions from Light-Duty Vehicles (China 6)” 《輕型汽車污染物排放限值及測量方法（中國第六階段）》 (the “**China 6 Standard**”) in December 2016. The implementation of the China 6 Standard will be in two phases, with effect from 1 July 2020. There are two sets of emission limits for air and climate pollutants pursuant to the China 6 Standard (the “**Emission Limits**”). Subject to the regulatory timeline for implementation of the China 6 Standard, all light-duty vehicles to be sold and registered in the PRC shall comply with the Emission Limits.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(ii) Overview of national policies and measures supporting the automobile industry in the PRC*

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 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.

In addition to the Plan, to support its commitment to encourage and speed up the development of the electric and new energy vehicles market, the PRC government has also implemented a series of other supportive 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 pure electric vehicles and plug-in hybrid 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 to encourage and promote the use and development of new energy vehicles in the PRC.

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 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.

On 3 July 2018, 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**”) to curb air pollution by 2020 which is expected to promote the use of new energy vehicles in the PRC. The Three-Year Action Plan highlights an annual sales target of two million new energy vehicles by 2020.

### *(iii) Overview of industry performance*

According to the China Association of Automobile Manufacturers (the “**CAAM**”), a non-profit social organisation founded in Beijing, the PRC 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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management of automobiles, automobile parts and vehicle-related industries in the PRC and was 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 23.7 million units in 2018, representing an increase of approximately 72.4%. CAAM also announced that the sales of new energy vehicles increased from approximately 777,000 units in 2017 to approximately 1,256,000 units in 2018, representing a year-on-year increase of approximately 61.7%. Along with the growth in the PRC automobile industry, Volvo Car Corporation published in its press release dated 4 January 2019 that the sales of Volvo cars in the PRC grew by approximately 14.1% to 130,593 vehicles in 2018, as compared to 114,410 vehicles in 2017.

CAAM predicted that China's automobile sales in 2019 will be approximately 28.1 million units, which is about the same level as in 2018. CAAM also expected an increase of about 30% in 2019 in the sales volume of new energy vehicles as compared to 2018, reaching about 1.6 million units.

### 2. Business overview of the Group

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

#### (i) *Expansion of production capacity*

In view of the increasing public awareness of environmental protection in the PRC, the release of new regulatory requirements and the government stimulus given to the PRC automobile industry, the Group has made significant strides in the last few years toward diversifying its product range and increasing product types to support its overall business development. In particular, with the aim of addressing the China 6 Standard while maintaining market position, the Group has striven in recent years to speed up a shift toward developing new energy and electrified vehicle (“**NEEV(s)**”) models and advanced vehicle engines that are fully-compatible with the powertrain system for high-performance and multi-functional vehicles.

According to the Company's circulars dated 8 December 2017 and 20 November 2018, several acquisitions were undertaken by the Group whereby the Group had expanded its production capacity for powertrain components comprising advanced gasoline or hybrid vehicle engines and transmissions (the “**Prior Acquisitions**”). As advised by the management of the Group, the production plants held by Group resulting from the Prior Acquisitions are currently equipped with production facilities mainly for three-cylinder turbo-charged engines and/or four-cylinder turbo-charged engines with a total output capacity of approximately 1,440,000 units per annum (the “**Existing Advanced Engine Production Plants**”). In addition to the Group's vehicle models, the advanced vehicle engines manufactured at the Existing Advanced Engine Production Plants were planned to be sold to the Geely Holding Group and the LYNK & CO Group for use in the Volvo-branded vehicles and the LYNK & CO-branded vehicles, respectively. The management of the Group confirmed that all the Existing Advanced Engine Production Plants are currently in operation and possess the capability to manufacture advanced vehicle engines that comply with the Emission Limits. In addition, 1.5 litre three-cylinder turbo-charged engine (the “**Major Advanced Engine(s)**”) is currently the main product

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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that is expected to make up the majority of the total annual output capacity of the Existing Advanced Engine Production Plants, production of which will continue to be prioritised over other advanced vehicle engines in the years ahead.

*(ii) Recent performance*

Set out below are the audited consolidated financial results of the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	For year ended 31 December		Year-on-year change %
	2017	2018	
	RMB'000	RMB'000	
	(audited)	(audited)	
Revenue	92,760,718	106,595,133	14.9
Gross profit	17,981,381	21,513,406	19.6
Profit for the year	10,735,389	12,674,398	18.1

According to the 2018 Annual Report, the Group recorded increases in revenue and gross profit of approximately 14.9% and 19.6% respectively for the year ended 31 December 2018 as compared to prior year. It is also stated that as a result of the increase in the overall sales volume and better profit margin achieved by the Group, the net profit grew to approximately RMB12.7 billion for the year ended 31 December 2018, representing a year-on-year growth of approximately 18.1%.

Following the commercial launch of the Group's first electric vehicle model "Emgrand EV" in 2015, the Group has been actively expanding its NEEV product portfolio with additional models such as "Emgrand PHEV", "Emgrand GL PHEV", "Borui GE PHEV/MHEV" and "Emgrand GSe" in the past few years to foster sustainable and long-term business growth. The 2018 Annual Report reveals that a significant year-on-year growth of approximately 165% in sale of NEEV models was attained by the Group in 2018, reaching a total sales volume of 67,069 units. Among the NEEVs sold in 2018, the best-selling models were "Emgrand EV", "Borui GE MHEV" and "Borui GE PHEV", which together accounted for around 82% of the total sales volume of NEEVs. It is also noted that the Group had extended its NEEV product range by adding six new NEEV version for certain existing vehicle models in 2018.

Furthermore, the Group's export sales volume also exhibited a strong rebound of approximately 136% year-on-year increase in 2018 as a result of the introduction of more updated products to the export markets.

In light of the recent development and the market's expectation of the overall performance of the PRC automobile industry for the foreseeable future, in addition to the recent expansion of product portfolio (including the launch of a multi-purpose vehicle models, a pure electric sedan model, the plug-in hybrid electric version for LYNK & CO 01 and the two new models namely LYNK & CO 02 and LYNK & CO 03), the Group will continue to increase new model offerings to further enrich its product portfolio aimed at catering for various market segments and different customer purchasing



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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preference on product specifications. The upcoming introduction of the NEEV versions for all the Group's major existing models and LYNK & CO-branded vehicles is expected to help promote market penetration in the new energy sector, which in turn would support the overall development of the Group's business and enhance the Group's overall competitiveness in the PRC automobile industry.

### 3. Background of and reasons for the YW Acquisition

#### (i) *Information on the YW Target*

##### *Principal business activities*

The YW Target is a private limited liability company incorporated in the PRC on 21 February 2019. It is principally engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC.

##### *Production facility under construction*

The YW Properties is an industrial complex located in Chi'an Town, Yiwu City, Zhejiang Province, the PRC. According to the Valuation Report, as at 31 March 2019, the YW Properties comprised:

- (i) two parcels of land with a total site area of approximately 169,116.54 square meters; and
- (ii) ten buildings with a total gross floor area of approximately 94,083.06 square meters upon completion of construction and various ancillary structures which were being constructed thereon (the "**YW Construction-In-Progress**").

As stated in the Letter from the Board, it is currently expected that the construction of the YW Construction-In-Progress will be completed in the second quarter of 2019 and the commercial production will commence in the third quarter of 2019 with a planned production capacity of 720,000 units of engines per annum upon full scale of operation. The management of the Group confirmed that the major products to be produced by the YW Target at the YW Properties are three-cylinder turbo-charged engines and four-cylinder turbo-charged engines (the "**YW Engines**"), with emphasis on production of the Major Advanced Engines in accordance with the Group's production plan for 2019 and 2020.

Please refer to the subsection headed "4. Principal terms of the YW Acquisition Agreement – (ii) Basis of the YW Consideration – Valuation" below for details of the Valuation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial information*

As extracted from the Letter from the Board, set out below is the unaudited financial information of the YW Target for the period as indicated below prepared under the HKFRS:

	<b>From</b>
	<b>21 February 2019</b>
	<b>to 31 March 2019</b>
	(Unaudited)
	<i>RMB'000</i>
Revenue	–
Loss before taxation	(263)
Loss after taxation	(263)

*Note:* The YW Target was incorporated in the PRC on 21 February 2019.

As stated in the Letter from the Board, as at 31 March 2019, the unaudited net asset value of the YW Target amounted to approximately RMB322.03 million, which consisted of total assets of approximately RMB2,020.41 million and total liabilities of approximately RMB1,698.45 million. Total assets mainly comprised the YW Properties and machinery and equipment for manufacturing purposes of approximately RMB1,431.21 million. Total liabilities mainly comprised trade and other payables of approximately RMB1,698.41 million, which primarily represented the YW Shareholder's Loan for the construction of the YW Properties and the purchase of machinery and equipment. As at 31 March 2019 and the Latest Practicable Date, the outstanding YW Shareholder's Loan amounted to approximately RMB1,698.41 million and RMB1,972.92 million, respectively.

### **(ii) *Reasons for and benefits of the YW Acquisition***

In view of the increasing customer demand and the market trend of the PRC automobile industry, the Directors expect that sales of high-performance vehicles will continue offering positive momentum to drive consumption of the Group's advanced vehicle engines in the coming years. It is also the belief of the Directors that the Group will experience an increasing demand for its advanced vehicle engines alongside the expansion of product portfolios of the Group and LYNK & CO Group.

As advised by the Company, the Major Advanced Engine will continue to be the main advanced vehicle engine to be produced and used in the Group's high-performance vehicles (including LYNK & CO-branded vehicles to be sold by the Group's 50%-owned joint venture). However, based on the production plan for the Major Advanced Engines that corresponding to the forecasted sales of the LYNK & CO-branded vehicles and the relevant vehicle models of the Group for 2019 and 2020, the utilisation of the Existing Production Plants Advanced Engine is expected to reach about the maximum level.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Letter from the Board, upon completion of the YW Acquisition, the YW Engines will be used in the Group's top-end vehicle models and will also be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the LYNK & CO Group for use in the LYNK & CO-branded vehicles. It is also stated that the YW Engines will possess superior performance in terms of power output and fuel consumption as well as characteristics of low carbon emission, which are targeted to meet the needs of the Group, the LYNK & CO Group and the Geely Holding Group for high performance and multi-functional vehicles. As such, the new production facilities resulting from the YW Acquisition will complement the Existing Advanced Engine Production Plants, that could possibly enable the Group to secure stable supply of advanced vehicle engines to keep pace with the anticipated increase in demand for its high-performance vehicles as well as the respective new product development plans of the Group and the LYNK & CO Group. In light of the above, the YW Acquisition can be considered as an integral part of the Group's business development plan targeting high-performance vehicle market.

Furthermore, the management of the Group has pointed out that the YW Acquisition also forms part of the Group's business plans to address the implementation of more stringent regulatory requirements in the PRC automobile industry attributable to the increasing environmental awareness in the PRC. In particular, as discussed in the subsection headed "1. Automobile industry in the PRC – (i) Nationwide light-duty vehicle emission standard" above, all light-duty vehicles to be sold and registered in the PRC shall comply with the Emission Limits pursuant to the China 6 Standard in the foreseeable future. As the effective date approaches, the Group is gearing up for the implementation of the China 6 Standard since late 2017 by way of progressively upgrading its capabilities to produce advanced vehicle engines designed for use in its high-performance vehicles (including LYNK & CO-branded vehicles to be sold by the Group's 50%-owned joint venture) and to meet the Emission Limits. The management of the Group confirmed that in line with the advanced vehicle engines manufactured at the Existing Advanced Engine Production Plants, the YW Engines that come with the aforesaid features will also meet the Emission Limits. It is the belief of the Directors that the advancements made in the Group's vehicle engines and further investment in production capacity via the YW Acquisition will help the Group achieve and maintain compliance with the Emission Limits when the China 6 Standard becomes effective.

After having principally considered the expected high capacity utilisation level for the Major Advanced Engine in the year ahead that may result in business interruption, the expected substantial costs that may be incurred from any modification or reconstruction of the Group's existing production facilities other than the Existing Advanced Engine Production Plants for production of advanced vehicle engines and the regulatory timeline for the implementation of the China 6 Standard, the Directors are of the view that the Group is required to take a reasonable course of action to ensure smooth production operation for its overall business and achieve long-term competitiveness to sustain its market position in the PRC automobile industry. All in all, it is imperative for the Group to further expand its production capacity via the YW Acquisition.

#### **4. Principal terms of the YW Acquisition Agreement**

##### **(i) *YW Acquisition***

The principal terms of the YW Acquisition Agreement are set out below:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Date*

29 April 2019 (after trading hours)

*Parties*

Vendor: Yiwu Engines

Purchaser: Zhejiang Powertrain

Zhejiang Powertrain is principally engaged in the research, development, production, marketing and sale of engines and related components in the PRC.

Yiwu Engines is principally engaged in the preparation and construction of engine manufactory projects.

*Subject matter*

Pursuant to the YW Acquisition Agreement, Zhejiang Powertrain conditionally agreed to acquire, and Yiwu Engines conditionally agreed to sell, the entire registered capital of the YW Target.

*Consideration*

The consideration for the YW Acquisition is RMB322,205,872 (the “**YW Consideration**”), which will be payable in cash within three months from the date of completion of the YW Acquisition.

As set out in the Letter from the Board, the YW Consideration was determined after arm’s length negotiations between Zhejiang Powertrain and Yiwu Engines with reference to (i) the net asset value of the YW Target prepared under the HKFRS as at 31 March 2019 of RMB322,033,083; and (ii) the valuation premium of the YW Properties of RMB172,789, being the difference between the YW Property Value of RMB293,000,000 and the carrying value of the YW Properties of approximately RMB292,827,211 as at 31 March 2019.

It is expected that the YW Consideration will be funded by internal resources of the Group.

*YW Shareholder’s Loan*

Pursuant to the YW Acquisition Agreement, the outstanding YW Shareholder’s Loan up to a maximum amount of RMB2,519 million on the completion date of the YW Acquisition will be repaid by the Group to the Geely Holding Group within six months from the completion of the YW Acquisition. As stated in the Letter from the Board, the YW Shareholder’s Loan is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, as at 31 March 2019 and the Latest Practicable Date, the outstanding amount of the YW Shareholder's Loan was RMB1,698.41 million and RMB1,972.92 million, respectively. It is also stated that the difference between the outstanding amount of the YW Shareholder's Loan as at the Latest Practicable Date and the maximum amount of the YW Shareholder's Loan of RMB2,519 million on the completion date of the YW Acquisition represents the expected amount to be contributed by Yiwu Engines in the form of shareholder's loan for the construction of the YW Properties and purchase of machinery and equipment for the production facility of the YW Target from the Latest Practicable Date to the completion date of the YW Acquisition.

### *Undertaking in respect of the YW Properties*

As set out in the Letter from the Board, as at the Latest Practicable Date, Yiwu Engines holds two real estate rights certificates, one construction land planning permit, one construction work planning permit and one construction work commencement permit for the YW Properties.

According to the legal opinion from the PRC legal adviser to the Company in respect of the YW Properties (the "**PRC Legal Opinion**"), (i) the abovementioned certificates and permits for the YW Properties are true, legal and valid; and (ii) the YW Properties are free from guarantee, pledge and encumbrances, and are not subject to seizure by the court.

The Company confirmed that as at the Latest Practicable Date, the YW Construction-In-Progress is still under construction which is expected to be completed in the second quarter of 2019. Upon completion of construction, the YW Construction-In-Progress is subject to the construction completion inspection and acceptance procedures as described below.

In light of the time it takes to transfer the relevant certificates and permits for the YW Properties from Yiwu Engines to the YW Target, which is unlikely to be completed before the completion of the YW Acquisition, Yiwu Engines has undertaken to Zhejiang Powertrain in the YW Acquisition Agreement that the legal titles of the YW Properties will be transferred to the YW Target in accordance with the applicable laws in the PRC on or before 31 December 2021 (the "**YW Grace Period**"), subject to completion of the YW Acquisition.

Notwithstanding the above, according to the PRC Legal Opinion, (i) the YW Construction-In-Progress is in compliance with the requirements of the relevant laws; (ii) upon completing the general procedures for obtaining real estate rights certificates, including the acceptance for fire safety, acceptance for greening, land acceptance, archive, quality inspection filing, property survey procedures, etc. with the relevant authorities, there are no legal impediments to the obtaining of the title certificates for the YW Construction-In-Progress; and (iii) the use of the YW Properties by the YW Target for production will not be affected even before the completion of the transfer of the legal titles of the YW Properties to the YW Target.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to the YW Acquisition Agreement, subject to completion of the YW Acquisition, in the event that the obtaining and transfer of the legal titles of the YW Properties cannot be completed during the YW Grace Period, Yiwu Engines will (i) indemnify Zhejiang Powertrain for the loss arising therefrom (the “**YW Indemnity Provision**”), which will be equal to the then valuation of the YW Properties prepared by a third party valuer approved by the parties to the YW Acquisition Agreement (the “**YW Indemnification Amount**”); and (ii) pay to Zhejiang Powertrain a penalty calculated based on an annual interest rate of 4.35% of the YW Indemnification Amount (the “**YW Penalty**”, together with the YW Indemnity Provision, hereinafter collectively referred to as the “**YW Compensation Arrangement**”). Yiwu Engines has also undertaken to Zhejiang Powertrain that, in the case where Yiwu Engines is required to indemnify Zhejiang Powertrain the YW Indemnification Amount for the loss pursuant to the YW Acquisition Agreement, the YW Indemnification Amount will in any event be not less than the YW Consideration, that is, RMB322,205,872.

As confirmed by the Directors, the amount of the potential loss arising from not being able to complete the obtaining and transfer of the legal titles of the YW Properties within the YW Grace Period which is currently uncertain has not been taken into account in determining the YW Consideration; the YW Compensation Arrangement, on the other hand, provides financial security to Zhejiang Powertrain should such a situation arise. Nevertheless, it is noted that reference was made to the basis of the YW Consideration when considering the basis for determining the YW Indemnification Amount whereby both the YW Indemnification Amount and a portion of the consideration attributable to the YW Properties payable by Zhejiang Powertrain to Yiwu Engines under the YW Acquisition are based on the then valuation on the YW Properties prepared by an independent valuer, which together with the abovementioned undertaking given by Yiwu Engines to Zhejiang Powertrain in respect of the YW Indemnification Amount will form the basis for determining the YW Indemnification Amount.

Further, the Directors also confirmed that the aforesaid annual penalty interest rate of 4.35% was determined after arm’s length negotiations between the parties to the YW Acquisition Agreement with reference to the prevailing interest rate of 4.35% on a short term loan (within one year) offered by the People’s Bank of China, and the YW Penalty payable by Yiwu Engines to Zhejiang Powertrain is having retrospective effect from the completion date of the YW Acquisition. In this regard, we have reviewed the respective short term loans offered by the People’s Bank of China and several other independent domestic major state-owned commercial banks in the PRC, and noted that their prevailing interest rates are all 4.35%. Having considered that (i) the penalty period to be taken into account when determining the actual amount of the YW Penalty is currently uncertain and could be equal to or shorter than the Grace Period; and (ii) the 4.35% annual penalty interest rate is (a) no less favourable than those prevailing annual interest rates of each of the abovementioned reference loans and is above the Group’s weighted average effective interest rates of bank borrowings with two-year repayment term of 3.57% and bond payables with five-year maturity of 3.83% for the year ended 31 December 2018 as stated in the 2018 Annual Report; and (b) same as the respective annual penalty interest rates adopted for the Prior Acquisitions, we concur with the view of the Directors that the rate for calculating the YW Penalty of 4.35% per annum is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, in the event that the obtaining and transfer of the legal titles of the YW Properties cannot be completed during the YW Grace Period, it is the intention of the parties to the YW Acquisition Agreement to appoint an independent valuer as soon as practicable to determine the then valuation of the YW Properties, and the YW Indemnification Amount together with the YW Penalty, which will be calculated with retrospective effect since the date of completion of the YW Acquisition, will be indemnified and paid in full by Yiwu Engines in cash as soon as practicable but in any event not later than 30 calendar days upon the issuance of the then valuation report on the YW Properties prepared by an independent valuer. The Company confirmed that as at the Latest Practicable Date, no independent professional valuer had been identified and/or appointed by any parties to the YW Acquisition Agreement for the purpose of performing the said valuation.

Further, it is also disclosed in the Letter from the Board that Yiwu Engines, being the existing holder of the real estate rights certificates and the relevant permits for the YW Properties, has undertaken to Zhejiang Powertrain and the YW Target that, subject to completion of the YW Acquisition, the YW Target can continue to occupy and use the YW Properties free of charge regardless of whether the obtaining and/or transfer of the legal titles of the YW Properties can be completed during the Grace Period or at all. The Directors confirmed that after taking into account the PRC Legal Opinion and the said undertaking given by Yiwu Engines, the operation of the YW Target is not expected to be affected even if the obtaining and/or transfer of the legal titles to the YW Properties is not completed during the Grace Period.

We noted that the YW Indemnity Provision and the YW Penalty serve to safeguard Zhejiang Powertrain against, and also compensate for, any loss associated with the failure to obtain and transfer the legal titles to the YW Properties during the YW Grace Period. Given this and after taking into account other factors as discussed above including (i) the basis for determining each of the YW Indemnification Amount and the YW Penalty that is considered to be fair and reasonable; and (ii) the YW Indemnification Amount together with the YW Penalty will be paid in the form of cash in full, we consider the YW Compensation Arrangement to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Having considered the foregoing, in particular (i) the PRC Legal Opinion as detailed above; (ii) the YW Compensation Arrangement which is considered to be fair and reasonable based on the factors discussed above has been put in place against the potential risk of failing to complete the obtaining and transfer of the legal titles to the YW Properties within the YW Grace Period (subject to completion of the YW Acquisition); and (iii) the undertaking given by Yiwu Engines to assure continuous occupation and use of the YW Properties by the YW Target on a no-charge basis regardless of whether the obtaining and/or transfer of the legal titles of the YW Properties can be completed during the YW Grace Period or at all (subject to completion of the YW Acquisition), we consider that the current lack of the legal titles to the YW Properties with its inherent risk of loss borne by the Group would not affect the fairness and reasonableness of the YW Acquisition and the YW Consideration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conditions precedent*

Completion of the YW Acquisition will be subject to and conditional upon the fulfillment or waiver (as the case may be) of specified conditions as detailed in the Letter from the Board, including, inter alia, the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the YW Acquisition, including but not limited to, the obtaining of the new business license of the YW Target and the SAIC's website indicating that Zhejiang Powertrain is the sole shareholder of the YW Target. As stated in the Letter from the Board, to the best of the Directors' knowledge, as at the Latest Practicable Date, there are no material approvals, consents, filings and/or waivers required for the YW Acquisition apart from the application to be made to SAIC for the transfer of the entire registered capital of the YW Target from Yiwu Engines to Zhejiang Powertrain.

### **(ii) Basis of the YW Consideration**

#### *Valuation*

The Company has appointed a qualified appraisal company in Hong Kong to perform the Valuation and issue the Valuation Report. To ascertain the Independent Valuer is suitably qualified possessing related experiences and competence to undertake the Valuation, we have reviewed and enquired into (i) the terms of engagement stipulated under the mandate letter entered into between the Independent Valuer and Yiwu Engines in relation to the Valuation that comply with the Listing Rules and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; (ii) the Independent Valuer's qualifications and experiences that are relevant to the Valuation; and (iii) the due diligence measures taken by the Independent Valuer in respect of the Valuation mainly including (a) site inspection (including the exterior and, where possible, the interior of the properties); (b) making relevant enquiries on copies of the title documents relating to the property interests which were shown to the Independent Valuer; (c) examination of original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment; and (d) reference made to the PRC Legal Opinion. The Independent Valuer has confirmed to us that it is independent from any member of the Group or the Geely Holding Group. Based on the aforesaid due diligence review and enquiry and given the fact that (i) the Independent Valuer is an independent professional valuer which has completed various assignments for companies listed on the Stock Exchange; and (ii) the person in charge of the Valuation (including preparation of the Valuation Report) (a) has 19 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region; and (b) is a member of the Royal Institution of Chartered Surveyors, we are satisfied with the scope of work of the Independent Valuer as well as the Independent Valuer's qualifications and experiences that are sufficient and relevant to the Valuation, and therefore consider that the Independent Valuer is experienced and competent in performing the Valuation and preparing the Valuation Report.

According to the Valuation Report and as confirmed by the Independent Valuer, the YW Properties Value was approximately RMB293,000,000 as at 31 March 2019.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology adopted and the basis and assumptions used in the Valuation Report. As to the methodology adopted, in the course of our discussion with the Independent Valuer, we have been confirmed that there are no readily available relevant market comparable sales due to the nature of the buildings and structures of the YW Properties and the particular location in which they are situated, thus the YW Properties cannot be valued on the basis of direct comparison, but instead the property interests have been valued on the basis of their depreciated replacement cost as specified in the Valuation Report. As stated in the Valuation Report, in arriving at the value of the YW Construction-In-Progress, the Independent Valuer has adopted the depreciated replacement cost by taking into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remaining cost and fees to be expended to complete the development of the YW Construction-In-Progress. In valuing the subject land of the YW Properties, the Independent Valuer advised that the market approach was considered as appropriate after considering the availability of the market information. The Independent Valuer further advised that it has adopted the market approach by taking reference to the sales evidence as available in the locality (the “**Comparable Sales Transaction(s)**”) which were identified and selected based on the criteria including (i) location; (ii) usage of lands; (iii) transaction situation; and (iv) transaction date. We noted from the Valuation Report that three Comparable Sales Transactions effected during 2018 have been identified and selected based on specified selection criteria for the purpose of the Valuation and the underlying properties of such three Comparable Sales Transactions were, inter alia, (i) located in the same districts of the YW Properties or are in close proximity from the YW Properties; (ii) industrial-used land which were considered to be relevant in nature to the YW Properties; and (iii) related to a site area ranging from approximately 28,865.52 square meters to 66,097.64 square meters. We also noted that the unit price per square meter of the Comparable Sales Transactions were computed based on their respective site area and transaction amount, and has been further adjusted by the Independent Valuer after taking into account, among others, the date of transaction, plot ratio and land use term of the Comparable Sales Transactions when determining an assumed unit rate for the land of the YW Properties, hence the adopted unit land price of the YW Properties, details of which are set out in the Valuation Report. The average of such adjusted unit price per square meter of the Comparable Sales Transactions has been used as the basis to determine the Valuation by multiplying the site area of the YW Properties. It is also noted that the Independent Valuer has relied upon China Real Estate Index System (“**CREIS**”) (中國房地產指數系統) as the source of sales evidence information on the Comparable Sales Transactions. CREIS is a system developed and published by the China Index Academy (中國指數研究院), which is one of the largest real estate professional research organisations in the PRC. As further confirmed by the Independent Valuer, (i) the depreciated replacement cost for valuing the YW Construction-In-Progress; and (ii) the market approach for valuing the subject land of the YW Properties are commonly adopted for valuation of properties which have similar characteristics as the YW Properties in the PRC and is also consistent with normal market practice.

We noted that the Valuation Report was prepared based on the key assumptions that (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests; (ii) no allowance has been made in the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Valuation Report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale; (iii) the properties are free from encumbrances, restrictions and outgoings of an onerous nature; and (iv) the ground conditions and services for any development thereon are satisfactory and that no unexpected cost and delay will be incurred during construction.

Further details of the basis and assumptions of the Valuation Report are included in the Valuation Report as contained in Appendix I to the Circular. Apart from having (a) discussion with the Independent Valuer during which we have not identified any major factors which cause us to doubt the fairness and reasonableness of the aforesaid valuation methodology, the principal basis and assumptions adopted for or the information used in the Valuation Report; and (b) performed our independent reviews as detailed above, we, on a best effort basis, had also conducted independent research on the valuation reports (including those prepared and issued by the Independent Valuer) that (i) contained in various circulars or the prospectus of other listed companies in Hong Kong issued in 2018 and 2019 pursuant to the Listing Rules; and (ii) related to valuation of properties (comprising construction in progress and lands) located in the PRC. To the best of our knowledge and endeavour, we have identified 19 valuation reports (the “**Selected Valuation Reports**”) which met the abovementioned selection criteria and they are exhaustive as far as we are aware of. Given that (i) the methodology, the principal basis and assumptions adopted in the Valuation Report have been commonly adopted in the Selected Valuation Reports; and (ii) the reference period of our independent research covering about one to two preceding years prior to the date of the YW Acquisition Agreement is considered to be a recent and reasonable period, we consider that the Selected Valuation Reports would serve as a fair and representative sample for the purpose of drawing a meaningful comparison with the methodology, principal basis and assumptions adopted in the Valuation Report. In light of the above, we are of the view that the methodology, the basis and assumptions adopted in the Valuation Report are fair and reasonable, and in line with the market practice. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuation Report may or may not reflect the true value of the YW Properties accurately.

### *Trading multiples analysis*

Commonly adopted price multiples analyses include the price to book ratio (“**PBR(s)**”) and the price to earnings ratio (“**PER**”). Given that the YW Target has not generated any profit since its incorporation, we consider the PER analysis to be impractical. For the purpose of assessing the fairness and reasonableness of the YW Consideration, we have performed the PBR analysis. We have searched for companies listed on the Stock Exchange which are engaged in similar line of business as the YW Target with majority (i.e. more than 70%) of their total turnover derived from manufacturing and sales of automobile related components according to their respective latest published financial information (the “**Selection Criteria**”). To the best of our knowledge and endeavour, we found six listed companies (the “**Market Comparables**”) which met the Selection Criteria and they are exhaustive as far as we are aware of. We have not subjectively excluded any of the Market Comparables which met the Selection Criteria. Given that setting additional selection criteria (such as place of operation, history of operation and size of the Market Comparables) will narrow down the number of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Market Comparables, we have not considered and included such additional selection criteria for our analysis. Shareholders should note that the business, operation and prospect of the YW Target are not the same as those of any of the Market Comparables.

Set out below are the PBRs of the Market Comparables based on their respective closing prices as at 29 April 2019, being the date of the YW Acquisition Agreement, and their latest published financial information:

Company name (Stock code)	Principal business	Latest year-end date	PBR (times) <i>(Note 1)</i>	Percentage of revenue derived from the manufacturing and sales of automobile related components <i>(Note 2)</i>
BeijingWest Industries International Limited 京西重工國際有限公司 (2339)	Manufacture and sale of automotive parts and components	31 December 2018	0.5	96%
Johnson Electric Holdings Limited 德昌電機控股有限公司 (179)	Supply of precision motors, motion subsystems and related electro- mechanical components	31 March 2019	0.8	77%
Minth Group Limited 敏實集團有限公司 (425)	Design, manufacture and sales of the auto parts	31 December 2018	1.9	100%
Nexteer Automotive Group Limited 耐世特汽車系統集團 有限公司 (1316)	Development, manufacturing, and provision of steering and driveline systems	31 December 2018	2.3	100%
Xinchen China Power Holdings Limited 新晨中國動力控股 有限公司 (1148)	Development, manufacture and sales of automotive engines for passenger vehicles and light duty commercial vehicles	31 December 2018	0.2	100%
Zhejiang Shibao Company Limited 浙江世寶股份有限公司 (1057)	Research, development, manufacture and sale of automotive steering products and key spare parts	31 December 2018	0.2	100%
		<b>Maximum</b>	<b>2.3</b>	
		<b>Minimum</b>	<b>0.2</b>	
		<b>Average</b>	<b>1.0</b>	
YW Consideration			1.0 <i>(Note 3)</i>	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The PBR refers to a comparison of the market value as at 29 April 2019 (using the respective share prices in the case of the Market Comparables) with the attributable net asset to the equity holders based on the latest published full year financial statements.
2. Revenue of the Market Comparables was based on their respective latest published annual results.
3. The implied PBR were calculated based on (i) the YW Consideration; and (ii) the unaudited net asset value of the YW Target as at 31 March 2019.

The above table illustrates that the PBRs of the Market Comparables ranged from approximately 0.2 times to 2.3 times, with an average of approximately 1.0 time. The implied PBR of the YW Acquisition of approximately 1.0 time is within the said PBR range of the Market Comparables and equal to the average PBR of the Market Comparables.

Having considered the above, we are of the view that the terms of the YW Acquisition 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.

### **5. Possible financial effects of the YW Acquisition**

*Earnings*

Upon completion of the YW Acquisition, the YW Target will become a 99.1% owned subsidiary of the Company and its financial results will be fully consolidated into the financial statements of the Company. The management of the Company advised that no significant effect on the Group's consolidated statement of profit or loss is expected to be resulted from the YW Acquisition immediately upon completion of the YW Acquisition.

*Net asset value*

Based on the 2018 Annual Report, the consolidated net asset value of the Group as at 31 December 2018 was approximately RMB45.4 billion. As confirmed by the Directors, the YW Acquisition would have no material impact on the net asset value of the Group.

*Cash flow*

Since the YW Consideration will be satisfied by cash of RMB322,205,872 by the Group within three months from the date of completion of the YW Acquisition, the cash level of the Group will decrease by the same amount immediately upon payment is made. In addition, the Group have to repay the YW Shareholder's Loan, which will not exceed RMB2,519 million, within six months from the completion of the YW Acquisition. Given the Company's bank balances and cash of approximately RMB15,737 million as at 31 December 2018, and based on the assumption that there is no material adverse change in such position since 31 December 2018 and up to the end of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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six-month period after completion of the YW Acquisition, the management of the Company expected that there would not be material adverse effect on the cash flow of the Group as a result of the YW Acquisition.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of the YW Acquisition.

### OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we consider that although the YW Acquisition Agreement is not entered into in the ordinary and usual course of business of the Group, it is conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the YW Acquisition.

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.*

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 March 2019 of the property interests of the Group.*



CONSULTING &amp; APPRAISAL

亞太評估

Asia-Pacific Consulting and Appraisal Limited  
Room 1907, 19/F, Lee Garden One,  
33 Hysan Avenue, Causeway Bay,  
Hong Kong

22 May 2019

The Board of Directors  
**Geely Automobile Holdings Limited**  
Room 2301, 23rd Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

**Instructions, Purpose and Date of Valuation**

Asia-Pacific Consulting and Appraisal Limited (“**APA**” or “**we**”) is instructed by Geely Automobile Holdings Limited (the “**Company**”) to provide valuation service on one property located in Yiwu City of the People’s Republic of China (the “**PRC**”) for disclosure purpose. The property is held by Yiwu Geely Powertrain Company Limited (義烏吉利動力總成有限公司) (“**YW Target**”), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Yiwu Geely Engines Company Limited (義烏吉利發動機有限公司) (“**Yiwu Engines**”), a private limited liability company incorporated in the PRC. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interests as at 31 March 2019 (the “**valuation date**”).

**Basis of Valuation**

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

**Methods of Valuation**

Due to the nature of the buildings and structures which are currently under construction and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. We have adopted the comparison approach to value the land elements of the property by making reference to comparable transactions in our assessment of the market values of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the fair place can be extrapolated to similar properties, subject to allowances for variable factors.

**Valuation Assumptions**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation (including Land Appreciation Tax) which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

**Valuation Standards**

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

**Source of Information**

We have relied to a very considerable extent on the information given by the YW Target and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the YW Target and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the YW Target. We have also been advised by the YW Target that no material factors have been omitted from the information to reach an informed view and we have had no reason to suspect that any material information has been withheld.

#### **Document and Title Investigation**

We have been shown copies of various title documents including Real Estate Title Certificates and other official permits relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the YW Target, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters. We have relied considerably on the advice given by the Company's PRC legal adviser – Zhejiang Xingtao Law Firm, concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the YW Target. We have also sought confirmation from the YW Target that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

#### **Area Measurement and Inspection**

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in January 2019 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 19 years' experience in property valuation in the PRC; Ms. Maggie Wang and Ivy Liu who both have 2 years' experience in property valuation in the PRC.

#### **Currency**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).



Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**Asia-Pacific Consulting and Appraisal Limited**  
**David G.D. Cheng**  
*MRICS*  
*Executive Director*

*Note:* David G.D. Cheng is a Chartered Surveyor who has 19 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

**SUMMARY OF VALUES****Property interest held under development by the YW Target in the PRC**

<b>No</b>	<b>Property</b>	<b>Market value in existing state as at the valuation date <i>RMB</i></b>
1.	2 parcels of land, 10 buildings and various structures located at No. 6, Jixiang Road, Chi'an Town, Yiwu City, Zhejiang Province, The PRC	293,000,000
<b>Grand-total:</b>		<b>293,000,000</b>

## VALUATION CERTIFICATE

## Property interest held under development by the YW Target in the PRC

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
1.	2 parcels of land, 10 buildings and various structures located at No. 6, Jixiang Road, Chi'an Town, Yiwu City, Zhejiang Province, The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 169,116.54 sq.m., 10 buildings and various ancillary structures which were being constructed thereon as at the date of valuation.</p> <p>The property is scheduled to be completed in June 2019. Upon completion, the buildings of the property will have a total gross floor area of approximately 94,083.06 sq.m.</p> <p>The buildings mainly include industrial plants, office building, staff canteen and ancillary buildings.</p> <p>The structures mainly include wall, roads and gates.</p> <p>The total construction cost is estimated to be approximately RMB283,804,500, of which RMB243,956,000 had been paid as at the date of valuation.</p> <p>The land use rights of the property have been granted for terms with the expiry date of 3 July 2067 for industrial use.</p>	The property is currently under construction.	293,000,000

*Notes:*

1. Yiwu Geely Powertrain Company Limited (義烏吉利動力總成有限公司) (“**YW Target**”), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Yiwu Geely Engines Company Limited (義烏吉利發動機有限公司) (“**Yiwu Engines**”), a private limited liability company incorporated in the PRC.
2. Pursuant to 2 Real Estate Title Certificates – Zhe(2017)Yi Wu Shi Bu Dong Chan Quan Di No. 0028222 and Zhe(2018)Yi Wu Shi Bu Dong Chan Quan Di No. 0015639 dated on 4 August 2017 and 5 March 2018, respectively, issued by Yiwu Land Resources Bureau, the land use rights of the 2 parcels of land with a total site area of approximately 169,116.54 sq.m. have been granted to Yiwu Engines for industrial use for terms with the expiry date of 3 July 2067.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 330782(KFQ)201800003 in favour of Yiwu Engines, 10 buildings with a total gross floor area of approximately 94,083.06 sq.m. have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit – No. 330782201804280401 in favour of Yiwu Engines, permission by the relevant local authority was given to commence the construction work.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - a. The Real Estate Title Certificates, the Construction Work Planning Permit and the Construction Work Commencement Permit held by Yiwu Engines are true, legal and valid;
  - b. The property can be legally used by the YW Target for manufacturing purpose during the period that the Real Estate Title Certificates are transferred from Yiwu Engines to the YW Target;
  - c. There are no mortgages, guarantees, and other rights in the land and buildings under construction of the property; and
  - d. There is no case of court seizure in the land and buildings under construction of the property.
6. A summary of major certificates/approvals is shown as follows:
 

a.	Real Estate Title Certificate	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit	Yes

7. The apportionment values of the property between land and buildings and structures under construction as at the valuation date are stated as follows:

<b>Portion</b>	<b>Market value in existing state as at the valuation date RMB</b>
Land	49,040,000
Buildings and structures under construction	<u>243,960,000</u>
Grand Total	<u><u>293,000,000</u></u>

8. Our valuation has been made on the following basis and analysis:

- a. In valuing the buildings and structures under construction, we adopted the depreciated replacement cost. We have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by Yiwu Engines. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

- b. In valuing the subject land of the property, we have adopted the market approach, we have identified and analyzed various transactions in the locality which have similar characteristics as the property. The unit price of the 3 selected comparable land are all RMB252/sq.m. Appropriate adjustments and analysis are considered to the location, size, plot ratio, usage of land, transaction date and other characters between the comparable land and the land of the property to arrive at an assumed unit rate for the land of the property. The adopted unit land price of the property is RMB290/sq.m.

Below are some details of Comparable Factors:

No.	Compare Element	Comparable A	Comparable B	Comparable C
1	Transaction Unit Price	252	252	252
2	Purchaser	Zhejiang Huachuan Industrial Group Co., Ltd.	Zhejiang Yangu Technology Co., Ltd.	Zhejiang Runfeng Health Technology Co., Ltd.
3	Address	Chi'an Town, Yiwu City	High-tech zone, Yiwu City	High-tech zone, Yiwu City
4	Usage	Industry	Industry	Industry
5	Transaction date	2018-11	2018-07	2018-07
6	Transaction situation	Listing	Listing	Listing
7	Nature of land use rights	Granted	Granted	Granted
8	Land use term	50	50	50
9	Plot ratio	$\geq 1 \& \leq 1.5$	$\geq 1.3 \& \leq 1.8$	$\geq 0.5 \& \leq 1$
10	Site area	28,865.52	66,067.86	66,097.64

**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	4,019,478,000	–	44.20
Mr. Li Shu Fu	Personal	23,140,000	–	0.25
Mr. Yang Jian	Personal	6,000,000	–	0.07
Mr. Li Dong Hui, Daniel	Personal	600,000	–	0.007
Mr. Gui Sheng Yue	Personal	10,500,000	–	0.12
Mr. An Cong Hui	Personal	108,000	–	0.001
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Lee Cheuk Yin, Dannis	Personal	900,000	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	350,000	–	0.004
Mr. Wang Yang	Personal	1,000,000	–	0.01

*Note:*

1. Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold interests of 4,019,478,000 shares, representing approximately 44.20% 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 Dong Hui, Daniel	Personal	1,400,000 (Note 2)	-	0.02
Ms. Wei Mei	Personal	1,000,000 (Note 2)	-	0.01
Mr. Carl Peter Edmund Moriz Forster	Personal	600,000 (Note 3)	-	0.007
Mr. Yeung Sau Hung, Alex	Personal	100,000 (Note 1)	-	0.001
Mr. Yeung Sau Hung, Alex	Personal	250,000 (Note 3)	-	0.003

*Notes:*

1. 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.
2. 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.
3. 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:*

1. 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.
2. 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 71.05% by Geely Holding and as to 28.95% 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 wholly owned by Zhejiang Jirun.
13. Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC and is wholly owned by Zhejiang Jirun.
14. Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC and is wholly owned by Zhejiang Jirun.

**(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	-	-	28.99
Geely Holding (Note 1)	Interest in controlled corporation	4,019,391,000	-	-	44.20
Geely Group Limited (Note 1)	Beneficial owner	87,000	-	-	0.001
	Interest in controlled corporation	2,636,705,000	-	-	28.99
Zhejiang Geely (Note 2)	Beneficial owner	796,562,000	-	-	8.76

*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 71.05% by Geely Holding and as to 28.95% 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 2018, 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 agreed to acquire and Hangzhou Components 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 agreed to acquire and Guizhou New Energy 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 agreed to acquire and Zhejiang Geely 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 Powertrain 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 Powertrain agreed to acquire and Taizhou Engines 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 Powertrain 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 Powertrain agreed to acquire and Guiyang Engines 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.

***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.

*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 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 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the business travel services agreement are over 0.1% but less than 5% on an annual basis, the business travel services agreement is subject to the reporting, annual review, 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 “**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 Zhidou EV CKD Supply Agreement are over 0.1% but less than 5% on an annual basis, the Zhidou EV CKD Supply Agreement is subject to the reporting, annual review, 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 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 Kandi automobile parts supply agreement are over 0.1% but less than 5% on an annual basis, 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 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 has an effective term from 1 January 2019 to 31 December 2021)***

- *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 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 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 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 services agreement was held on 7 December 2018 and the services agreement was duly approved by the then Independent Shareholders.

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

Pursuant to the electric vehicle agreement dated 5 October 2018, the Group 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 electric vehicle agreement are higher than 5% on an annual basis, the 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 electric vehicle agreement was held on 7 December 2018 and the electric vehicle agreement was duly approved by the then Independent Shareholders.

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

Pursuant to the automobile components procurement agreement dated 5 October 2018, the Group 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 was held on 7 December 2018 and the automobile components procurement agreement was duly approved by the then Independent Shareholders.

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

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

Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into wholesale facility agreements with the EV Dealers to provide vehicle financing to the EV Dealers to facilitate their purchase of Geely EVs (as defined in the circular of the Company dated 20 November 2018) with the largest annual cap being RMB5,406 million for the three years ending 31 December 2021.

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

Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into retail loan cooperation agreements with the EV Dealers pursuant to which the EV Dealers shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Geely EVs (as defined in the circular of the Company dated 20 November 2018) with the largest annual cap being RMB4,834 million for the three years ending 31 December 2021.

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

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

*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 2021)*

- *Wholesale facility agreements between Genius AFC and the Volvo Dealers (as defined in the circular of the Company dated 26 February 2019) (the wholesale facility agreements have an effective term until 31 December 2021)*

Pursuant to the Volvo finance cooperation agreement 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 RMB15,107 million for the three years ending 31 December 2021.

- *Retail loan cooperation agreements between Genius AFC and the Volvo Dealers (as defined in the circular of the Company dated 26 February 2019) (the retail loan cooperation agreements have an effective term until 31 December 2021)*

Pursuant to the Volvo finance cooperation agreement 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 RMB12,045 million for the three years ending 31 December 2021.

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 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 Volvo finance cooperation agreement was held on 18 February 2016 and the Volvo finance cooperation agreement was duly approved by the then Independent Shareholders. The renewal of Volvo finance cooperation agreement with a term from 1 January 2019 to 31 December 2021 was duly approved by the then Independent Shareholders at Shareholders' meeting held on 15 March 2019.

**(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 2018, the date to which the latest published audited accounts of the Company have been made up.

#### 6. QUALIFICATION OF EXPERTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Dakin Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Asia-Pacific Consulting and Appraisal Limited	an independent professional property valuer

As at the Latest Practicable Date, each of Dakin Capital Limited and Asia-Pacific Consulting and Appraisal 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 2018, 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 Powertrain Company Limited\*) (“**Zhejiang Powertrain**”) and Zhejiang Geely pursuant to which Zhejiang Powertrain 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 Powertrain, Zhejiang Geely and Shanghai Maple pursuant to which Zhejiang Powertrain 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 Powertrain and Geely Holding pursuant to which Zhejiang Powertrain 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 RMB 993,100,000;
- (v) the joint venture agreement dated 24 April 2018 entered into between Zhejiang Powertrain 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 Powertrain 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 agreed to acquire and Hangzhou Components 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 agreed to acquire and Guizhou New Energy 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 agreed to acquire and Zhejiang Geely 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 Powertrain 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 Powertrain agreed to acquire and Taizhou Engines 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;
- (xi) the acquisition agreement dated 5 October 2018 entered into between Zhejiang Powertrain and 貴陽吉利發動機有限公司 (Guiyang Geely Engines Company Limited\* or “**Guiyang Engines**”) pursuant to which Zhejiang Powertrain agreed to acquire and Guiyang Engines 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; and
- (xii) the joint venture agreement dated 20 December 2018 entered into between Zhejiang Powertrain and 寧德時代新能源科技股份有限公司 (Contemporary Amperex Technology Company Limited\* or “**CATL Battery**”) pursuant to which they agreed to form a joint venture to principally engage in the research and development, manufacture and sale of battery cells, battery modules and battery packs. Pursuant to such joint venture agreement, the registered capital of the joint venture is RMB1,000,000,000, and is contributed as to 49% (equivalent to RMB490,000,000) in cash by Zhejiang Powertrain and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery.

**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 Monday, 10 June 2019:

- (a) The copies of the YW Acquisition 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 2017 and 31 December 2018;
- (d) the contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (e) the letter from the Independent Board Committee;
- (f) the letter from Independent Financial Adviser;
- (g) the written consents from Dakin Capital Limited and Asia-Pacific Consulting and Appraisal Limited referred to in the paragraph headed "Qualification of experts" 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**”, together with its subsidiaries, the “**Group**”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Monday, 10 June 2019 at 4:00 p.m. or at any adjustment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution of the Company:

### ORDINARY RESOLUTION

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

1. “**THAT:**

the conditional sale and purchase agreement dated 29 April 2019 (the “**YW Acquisition Agreement**”) entered into between, 浙江吉利動力總成有限公司 (Zhejiang Geely Powertrain Company Limited\*), an indirect 99.1% owned subsidiary of the Company, as purchaser and 義烏吉利發動機有限公司 (Yiwu Geely Engines Company Limited\*), as vendor in relation to the acquisition of the entire registered capital of 義烏吉利動力總成有限公司 (Yiwu Geely Powertrain Company Limited\*), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one, or any two directors of the Company if the affixation of the common seal is necessary, be and is/ are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company).”

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

Hong Kong, 22 May 2019

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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.*