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

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

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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

**CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF XI'AN GEELY AND
PROPOSED CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to Geely Automobile Holdings Limited



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

BALLAS

C A P I T A L

A subsidiary of Crosby

A letter from the Board is set out on pages 9 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 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 32 to 61 of this circular. A notice convening the EGM to be held at 3/F., Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Friday, 28 April 2023 at 10:00 a.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.

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DEFINITIONS

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

“Acquisition” or “Connected Transaction”	the acquisition of the entire equity interest of Xi’an Geely by Zhejiang Jirun from Geely Manufacturing pursuant to the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement (as supplemented by the Supplemental Agreement) entered into between Zhejiang Jirun and Geely Manufacturing on 12 December 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BEV”	battery electric vehicle
“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group, which engages in consumer credit and mortgage lending activities
“Board”	the board of Directors
“Business Day”	the day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“CBU(s)”	complete buildup unit(s) (整車), a complete vehicle after the final assembly
“CEVT”	China-Europe Vehicle Technology AB, a limited liability company incorporated in Sweden, which was an indirect subsidiary of ZEEKR as at the Latest Practicable Date
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“CKDs and Automobile Components Sales Agreement”	the master agreement entered into between the Company and Geely Holding on 12 December 2022, pursuant to which the Group conditionally agreed to sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group
“CKDs and Automobile Components Sales Annual Caps”	the proposed annual caps in relation to the sale of CKDs and automobile components by the Group to the Geely Holding Group for the three years ending 31 December 2025

DEFINITIONS

“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 to it under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Consideration” in the letter from the Board in this circular
“Continuing Connected Transactions”	transactions contemplated under the CKDs and Automobile Components Sales Agreement
“Director(s)”	the director(s) of the Company
“Dispute”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Background Information of the Dispute and its Status” in the letter from the Board in this circular
“ECARX”	ECARX Holdings Inc., a limited liability company incorporated in the Cayman Islands, which was ultimately and beneficially owned as to 42.55%, 0.66% and 0.96% of the total outstanding shares of ECARX on an as-converted basis by Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, respectively, as at the Latest Practicable Date
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Connected Transaction and Continuing Connected Transactions
“Existing Master CKDs and Automobile Components Purchase Agreement”	the master agreement and the supplemental agreement entered into between the Company and Geely Holding on 4 November 2020 and 15 October 2021, respectively, pursuant to which the Group agreed to purchase CKDs and automobile components from the Geely Holding Group
“Farizon”	a commercial vehicle brand owned by the Geely Holding Group
“Fengsheng”	楓盛汽車科技集團有限公司 (Fengsheng Automobile Technology Group Co., Ltd.*), a limited liability company incorporated in the PRC, which was wholly-owned by Geely Holding Automobile as at the Latest Practicable Date
“Geely Brand” or “Geely-branded”	automobile brands of the Group

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“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a limited liability company incorporated in the PRC, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
“Geely Holding Automobile”	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a limited liability company incorporated in the PRC, which is wholly-owned by Geely Holding as at the Latest Practicable Date
“Geely Holding-branded”	automobile brands of Geely Holding Group
“Geely Holding Group”	Geely Holding and its subsidiaries
“Geely Manufacturing”	浙江吉利汽車製造有限公司 (Zhejiang Geely Automobile Manufacturing Company Limited*), a limited liability company incorporated in the PRC, which was indirectly owned as to 72.40% by Geely Holding as at the Latest Practicable Date
“Genius AFC”	吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.*), a limited liability company incorporated in the PRC, which was owned as to 80% by the Company and as to 20% by BNPP PF as at the Latest Practicable Date. As certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC, Genius AFC is treated as a jointly controlled entity of the Company
“Geely Group Limited”	Geely Group Limited, a limited liability company incorporated in the British Virgin Islands, which was beneficially wholly-owned by Mr. Li as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“ICE”	internal combustion engine
“Indemnity Period”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Indemnity and Undertaking given by Geely Manufacturing” in the letter from the Board in this circular

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, which comprises all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Connected Transaction and Continuing Connected Transactions
“Independent Financial Adviser”	Ballas Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Connected Transaction and Continuing Connected Transactions
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui and their respective associates
“independent third party(ies)”	individual(s) or company(ies) who or which is (or are) not a connected person of the Company, any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	30 March 2023, 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 incorporated in the PRC, which was owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding and VCI, respectively, as at the Latest Practicable Date
“LYNK & CO Brand” or “LYNK & CO-branded”	an automobile brand of the LYNK & CO Group
“LYNK & CO Group”	LYNK & CO and its subsidiaries
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder together with his associates holding approximately 42.15% interests in the total issued share capital of the Company as at the Latest Practicable Date
“Ningbo Geely”	寧波吉利汽車實業有限公司 (Ningbo Geely Auto Industry Company Limited*), a limited liability company incorporated in the PRC, which was an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date

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“Ningbo Viridi”	威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd.*), a limited liability company incorporated in the PRC, which was a non wholly-owned subsidiary of ZEEKR 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
“Project”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Background Information of the Dispute and its Status” in the letter from the Board in this circular
“Project Consideration”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Background Information of the Dispute and its Status” in the letter from the Board in this circular
“Proper Glory”	Proper Glory Holding Inc., a limited liability company incorporated in the British Virgin Islands, which was owned as to 68% by Geely Holding and 21.29% by Geely Group Limited as at the Latest Practicable Date
“Properties”	an industrial complex located in Xi’an City, Shaanxi Province, the PRC
“Remaining Consideration”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Consideration” in the letter from the Board in this circular
“Remaining Properties”	has the meaning ascribed to it under the section headed “Connected Transaction in relation to the Acquisition of Xi’an Geely - the Acquisition - Indemnity and Undertaking given by Geely Manufacturing” in the letter from the Board in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)

DEFINITIONS

“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited*), a limited liability company incorporated in the PRC, which was wholly-owned by Geely Holding as at the Latest Practicable Date
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meter(s)
“smart”	智馬達汽車有限公司, a limited liability company incorporated in the PRC, which was owned as to 50% each by Geely Holding Automobile and a third party, respectively as at the Latest Practicable Date
“smart Brand”	an automobile brand under the smart Group
“smart Group”	smart and its subsidiaries
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between Zhejiang Jirun and Geely Manufacturing on 28 March 2023 to amend the payment terms of the Consideration and extend the expiry date of the Indemnity Period
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuation Report”	the valuation report of 100% equity interest in Xi’an Geely as at 30 September 2022 prepared by the Valuer using the asset-based approach
“Value Century”	Value Century Group Limited, a limited liability company incorporated in the British Virgin Islands, which was wholly-owned by the Company as an investment holding company as at the Latest Practicable Date
“Valuer”	Asia-Pacific Consulting and Appraisal Limited, an independent valuer

DEFINITIONS

“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden, which was an indirect non wholly-owned subsidiary of Geely Holding as at the Latest Practicable Date
“VCDC”	沃爾沃汽車銷售(上海)有限公司 (Volvo Car Distribution (Shanghai) Co., Ltd.*), a limited liability company incorporated in the PRC, which was a wholly-owned subsidiary of Volvo as at the Latest Practicable Date
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*), a limited liability company incorporated in the PRC, which was a wholly-owned subsidiary of Volvo as at the Latest Practicable Date
“VCIC”	沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (APAC) Investment Holding Co., Ltd.*), previously known as 中嘉汽車製造(上海)有限公司 (Zhongjia Automobile Manufacturing (Shanghai) Company Limited*), a limited liability company incorporated in the PRC, which was owned as to 50% by Volvo and 50% by Geely Holding as at the Latest Practicable Date
“Xi’an Geely”	西安吉利汽車有限公司 (Xi’an Geely Automobile Company Limited*), a limited liability company incorporated in the PRC, which was wholly-owned by Geely Manufacturing as at the Latest Practicable Date
“ZEEKR”	ZEEKR Intelligent Technology Holding Limited, a limited liability company incorporated in the Cayman Islands, which was an indirect subsidiary of the Company as at the Latest Practicable Date
“ZEEKR Automobile”	極氪汽車(寧波杭州灣新區)有限公司 (ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Co., Ltd.*), previously known as 寧波極氪智能科技有限公司 (Ningbo ZEEKR Intelligent Technology Company Limited*), a limited liability company incorporated in the PRC, which was an indirect wholly-owned subsidiary of ZEEKR as at the Latest Practicable Date
“ZEEKR-branded”	an automobile brand of the ZEEKR Group
“ZEEKR Group”	ZEEKR together with its subsidiaries

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“ZEEKR Shanghai”	極氪汽車(上海)有限公司 (ZEEKR Automobile (Shanghai) Company Limited*), previously known as 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited*) a limited liability company incorporated in the PRC, which was a wholly-owned subsidiary of ZEEKR as at the Latest Practicable Date
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a limited liability company incorporated in the PRC, which was 72.40% owned by Geely Holding 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 limited liability company incorporated in the PRC, which was beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
“Zhejiang Jichuang”	浙江吉創產業發展有限公司 (Zhejiang Jichuang Industrial Development Co., Ltd.*), a limited liability company incorporated in the PRC, which was wholly-owned by Geely Holding as at the Latest Practicable Date
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC, which was an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent

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

LETTER FROM THE BOARD

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu (*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
Mr. Gan Jia Yue

Registered Office:

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

Independent Non-executive Directors:

Mr. An Qing Heng
Mr. Wang Yang
Ms. Lam Yin Shan, Jocelyn
Ms. Gao Jie

Principal Place of Business in Hong Kong:

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

6 April 2023

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF XI'AN GEELY AND
PROPOSED CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

References are made to the announcement of the Company dated 12 December 2022 in relation to the Acquisition and the CKDs and Automobile Components Sales Agreement (the “**Connected Transaction and Continuing Connected Transactions**”) and the announcements of the Company dated 10 March 2023 and 28 March 2023, respectively, in relation to (i) the extension of the long stop date under the Acquisition Agreement and (ii) the Supplemental Agreement and the extension of the long stop date under the CKDs and Automobile Components Sales Agreement.

The purpose of this circular is to provide you with information, among other things, (i) further information about the Connected Transaction and Continuing Connected Transactions; (ii) the recommendation of the Independent Board Committee on the Connected Transaction and Continuing

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Connected Transactions; (iii) the advice of the Independent Financial Adviser in respect of the Connected Transaction and Continuing Connected Transactions; and (iv) other information as required under the Listing Rules together with the notice of the EGM.

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF XI'AN GEELY

The Acquisition

On 12 December 2022 (after trading hours), Zhejiang Jirun, an indirect 99% owned subsidiary of the Company, entered into the Acquisition Agreement with Geely Manufacturing with regard to the acquisition of the entire equity interest of Xi'an Geely, for a cash consideration of RMB382.45 million.

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

Date

12 December 2022 (after trading hours)

Parties

Vendor: Geely Manufacturing

Purchaser: Zhejiang Jirun

Geely Manufacturing is a limited liability company incorporated in the PRC and is directly wholly-owned by Zhejiang Geely, which is in turn 72.40% owned by Geely Holding. Geely Manufacturing is principally engaged in the manufacture and sale of automobile parts and components in the PRC.

Zhejiang Jirun is a limited liability company incorporated in the PRC and is an indirect 99% owned subsidiary of the Company. Zhejiang Jirun is principally engaged in the research, development, production, marketing and sales of vehicles and related automobile components in the PRC.

Subject matter

Pursuant to the Acquisition Agreement, Zhejiang Jirun conditionally agreed to acquire the entire equity interest of Xi'an Geely from Geely Manufacturing for a cash consideration of RMB382.45 million. Details of Xi'an Geely are set out in the paragraph headed "Information on Xi'an Geely – Principal business of Xi'an Geely" below.

Upon completion of the Acquisition, Xi'an Geely will become a subsidiary of the Company and the financial results of Xi'an Geely will be consolidated into the consolidated financial statements of the Group.

Consideration

The total consideration for the Acquisition is RMB382.45 million (the "**Consideration**"). Pursuant to the Supplemental Agreement, the Consideration will be settled in the following manners:

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- (i) RMB229,470,000, being 60% of the Consideration, will be payable in cash to Geely Manufacturing on the completion date of the Acquisition; and
- (ii) the remaining balance of RMB152,980,000 (the “**Remaining Consideration**”), being 40% of the Consideration, subject to the adjustment below, will be payable in cash to Geely Manufacturing within 10 Business Days after the Dispute is fully settled.

In the event that the effective judgement or the court mediation agreement with respect to the Dispute requires Xi'an Geely to make payment exceeding the Provision made by Xi'an Geely mentioned below, representing approximately 15% of the Project Consideration, Zhejiang Jirun is entitled to automatically deduct such exceeded amount from the Remaining Consideration.

The Consideration was determined after arm's length negotiations between Zhejiang Jirun and Geely Manufacturing with reference to the appraised value of Xi'an Geely at the amount of RMB382.45 million as at 30 September 2022 determined by the Valuer using the asset-based approach.

It is expected that the Consideration will be funded by internal cash reserve of Zhejiang Jirun.

Indemnity and Undertaking given by Geely Manufacturing

The total assets of Xi'an Geely consist of the Properties, which is an industrial complex located in Xi'an City, Shaanxi Province, the PRC. The Properties comprise:

- (i) four parcels of land with a total site area of 1,506,974.57 sq.m.;
- (ii) 29 industrial and ancillary buildings with a total gross floor area of 694,164.88 sq.m.; and
- (iii) relevant office equipment.

As at the Latest Practicable Date, Xi'an Geely held one real estate title certificate for two buildings, two construction work planning permits and four construction work commencement permits for the Properties. According to the PRC legal adviser of the Company, (i) the above certificate and permits for the Properties are true, legal and valid; and (ii) Xi'an Geely has legal ownership to the two buildings with real estate title certificate and can legally and beneficially own, use, occupy, transfer and lease out these buildings.

The PRC legal adviser noted that certain buildings of the Properties, namely the stamping workshop, welding workshop and office building of storage and transportation department (the “**Remaining Properties**”) do not possess the real estate title certificates. As at the Latest Practicable Date, Xi'an Geely was unable to complete the inspection procedures upon completion of the construction for the Remaining Properties and prepare all required documents (e.g. the forms of filing of as-built inspection (竣工驗收備案登記表)) for applying the real estate title certificates due to the Dispute. The Dispute mainly concerns the calculation of the final payment of the construction fee relating to Xi'an Geely's manufacturing facilities. As at the Latest Practicable Date, Xi'an Geely and the Contractor (as defined below) had not yet reached an agreement on the final payment. For more information of the Dispute, please refer to the section headed “Background Information of the Dispute and its Status” below.

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Notwithstanding the above, based on the due diligence review, confirmation of Xi'an Geely and Xi'an Geely's prior communication with local regulatory authority as well as the applicable PRC laws and regulations and the requirements in relation to applying for real estate title certificates issued by the local housing and urban-rural development bureau, the PRC legal adviser is of the view that (a) Xi'an Geely is entitled to apply for real estate title certificates in respect of the Remaining Properties as and when the relevant application materials are fully prepared. The PRC legal adviser does not foresee any material legal impediment for Xi'an Geely to obtain such real estate title certificates once all application materials are prepared and submitted; (b) Xi'an Geely is not subject to any penalties or fines ordered by the local regulatory authority up to the Latest Practicable Date; and (c) the risk of Xi'an Geely being penalized and the Remaining Properties being formally repossessed as a result of the absence of real estate title certificates is low.

There are certain minor irregularities of Xi'an Geely (i.e. Xi'an Geely not being the registered entity to the registration procedures of the environmental protection, occupational disease and safety and handling of hazardous wastes originated from its production activities (the "**Minor Irregularities**")) due to the local requirements. Zhejiang Haoqing was the then sole shareholder of Xi'an Geely. In 2018, Zhejiang Haoqing Xi'an branch obtained the project approval (the "**Approval**") issued by Shannxi Provincial Development and Reform Commission for the construction of Xi'an passenger vehicles project. The project was carried out and completed by Xi'an Geely. Due to the local requirements, the registration procedures of the environmental protection, occupational disease and safety and handling of hazardous wastes originated from the project's production activities (being Xi'an Geely's production activities) were conducted by Zhejiang Haoqing Xi'an branch as it is the registered entity of the aforesaid project. As advised by the PRC legal adviser, (i) the risk of rectification or penalties or fines is low as Xi'an Geely has discussed the current situation with the local regulatory authority which has not imposed any rectification or penalties or fines on Xi'an Geely up to the Latest Practicable Date; and (ii) the Minor Irregularities will not affect the application for the real estate title certificates of the Remaining Properties under the conditions that the relevant application materials are fully prepared and submitted. Xi'an Geely is under discussions with the relevant local government authorities to obtain necessary approvals for amending the registered entity of the aforementioned procedures. The Minor Irregularities are expected to be rectified on or before 31 December 2024.

According to the relevant applicable PRC laws and regulations, Xi'an Geely could be subject to liabilities, penalties and operation disruption as summarized below: (i) according to the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Regulations on Environmental Protection Management of Construction Project (建設項目環境保護管理條例), the relevant government authority may issue an order to Xi'an Geely to correct the registration within a specified time limit and impose a fine ranging from RMB200,000 to RMB1.0 million. If Xi'an Geely fails to do so, it may be subject to a fine of RMB1.0 million to RMB2.0 million. If Xi'an Geely's production activities cause significant environmental pollution or ecological damage, such activities shall be suspended, or the production activities shall be closed down by an order of the relevant government authorities; (ii) according to the PRC Occupational Disease Prevention Law (中華人民共和國職業病防治法), the relevant government authority may issue an order to Xi'an Geely to correct the registration within a specified time limit. If Xi'an Geely fails to do so, it may be subject to a fine of RMB100,000 to RMB500,000. If significant occupational diseases are caused, such work shall be suspended; and (iii) according to the Regulations of Hazardous Chemicals Management (危險化學品安全管理條例), and the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) and the PRC Safe

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Production Law (中華人民共和國安全生產法), the relevant government authority may issue an order to Xi'an Geely to correct the registration within a specified time limit. If Xi'an Geely fails to do so, it may be subject to penalties with maximum amount of RMB2.2 million in aggregate. If the hazardous chemicals cause significant damages, the operation of Xi'an Geely may be subject to suspension. Xi'an Geely has adopted prevention and management procedures relating to environmental protection, occupational safety as well as hazardous waste treatment in accordance with the requirements approved by the relevant government authorities and the applicable PRC laws and regulations. The relevant government authorities are aware of such issues from their routine inspection and communications with Xi'an Geely and none of them had issued or imposed any rectification order or penalties on Xi'an Geely up to the Latest Practicable Date.

Pursuant to the Acquisition Agreement, Geely Manufacturing agreed to indemnify Zhejiang Jirun and provide indemnity up to the amount of the Consideration against any loss, damage or liability suffered by Zhejiang Jirun concerning the Remaining Properties and other minor irregularities incurred before and 12 months after the completion date of the Acquisition (the “**Indemnity Period**”). Pursuant to the Supplemental Agreement, Zhejiang Jirun and Geely Manufacturing further agreed to extend the expiry date of the Indemnity Period to 31 December 2024.

In addition, in the event that Xi'an Geely is unable to obtain the real estate title certificates of the Remaining Properties on or before 31 December 2024, Geely Manufacturing shall (i) indemnify Zhejiang Jirun for its loss arising therefrom, which shall be calculated based on the then valuation of the Remaining Properties prepared by a third party valuer approved by the parties to the Acquisition Agreement; and (ii) shall pay to Zhejiang Jirun a penalty calculated based on an annual interest rate of 3.65% of the aforesaid valuation amount, which was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the prevailing annual interest rate of 3.65% on loan prime rate (within one year) offered by the People's Bank of China. Such indemnity and penalty will be fully paid in cash by Geely Manufacturing within 30 calendar days (or such later date as the parties may agree in writing) upon the issuance of the then valuation report on the Remaining Properties prepared by the third party valuer.

Having considered that (i) it is not foreseen to have material legal impediment for Xi'an Geely to obtain the real estate title certificates of the Remaining Properties once all application materials are prepared and submitted; (ii) the risk of Xi'an Geely being penalized and the Remaining Properties being formally repossessed as a result of the absence of real estate title certificates is low based on the foregoing opinion from the PRC legal adviser; and (iii) the indemnity provided by Geely Manufacturing under the Acquisition Agreement, pursuant to which the Group will be indemnified by Geely Manufacturing for its loss if Xi'an Geely is unable to obtain the real estate title certificates of the Remaining Properties and/or rectify the minor irregularities on or before 31 December 2024. Up to the Latest Practicable Date, Xi'an Geely had not received any rectification or penalties or fines ordered by regulatory authorities regarding the Remaining Properties and other minor irregularities, the Board is of the view that the Remaining Properties' title certificates issue and other minor irregularities would not have a material adverse effect on Xi'an Geely's operations and financial conditions and the indemnity provided by Geely Manufacturing could provide sufficient safeguard to the Group's interest.

LETTER FROM THE BOARD

Background Information of the Dispute and its Status

Xi'an Geely received the summon served by the People's Court of Xi'an Gaoling District (the "**Court**") on 15 February 2023 and certain litigation documents including two civil complaints (the "**Complaints**") respectively filed by Xi'an Construction Engineering General Group Co., Ltd. (西安市建總工程集團有限公司, the "**Contractor**") and Mr. Zeng Xianfeng (曾仙峰, "**Mr. Zeng**") against Xi'an Geely relating to the Project (as defined below) payment dispute (the "**Dispute**"). The background information of the Dispute and the Complaints is summarized below:

In November 2017, Xi'an Geely and the Contractor entered into a framework agreement for the construction of Xi'an Geely's manufacturing facilities (the "**Project**"), including the stamping workshop, welding workshop and office building of storage and transportation department. The parties further entered into five Project construction sub-contracts for a total consideration of RMB296,733,094.32 (the "**Project Consideration**"). The construction of the Project was completed. Xi'an Geely has commenced its formal operation since May 2021. As at the Latest Practicable Date, Xi'an Geely had paid approximately RMB250.39 million to the Contractor in accordance with the sub-contracts, representing approximately 85% of the Project Consideration. Also, Xi'an Geely has made a provision of approximately RMB44.01 million (the "**Provision**"), representing approximately 15% of the Project Consideration, in its accounting records for the final payment of the Project. The Project Consideration and the Provision include the then applicable value added tax ("**VAT**"), the rate of which ranges from 9% to 11%. The Provision was recorded in trade and other payables of Xi'an Geely as at 30 September 2022.

Xi'an Geely engaged project construction cost appraisal institutions in 2020 and 2021 to perform the Project's cost inspection and a professional project quality inspection institution in 2021 to perform the Project's quality inspection. The Contractor does not agree on the Project's cost inspection results issued by the project construction cost appraisal institutions and only recognizes part of the Project's quality inspection results issued by the professional project quality inspection institution. As at the Latest Practicable Date, Xi'an Geely and the Contractor had not yet reached an agreement. Xi'an Geely withholds the final payment of the Project and partial Project performance deposit paid by the Contractor (the "**Deposit**"). The Contractor rejects to provide Xi'an Geely certain required documents for applying the real estate title certificates of the Remaining Properties.

The Contractor filed a complaint against Xi'an Geely and demanded Xi'an Geely to pay the remaining Project construction fee together with interest in an aggregated amount of RMB149,505,669. Mr. Zeng filed another complaint against the Contractor and Xi'an Geely, alleging that the Contractor sub-contracted the Project to him, seeking for a total payment of approximately RMB151,549,772 (consisting of the outstanding construction fee payment of RMB142,077,053 and its related interest) from the Contractor and demanding Xi'an Geely to pay the corresponding construction fee to the Contractor. Neither the Contractor nor Mr. Zeng provided any calculation basis and its related evidence to support the above alleged claim amounts.

As at the Latest Practicable Date, Xi'an Geely and the Contractor had not yet finished the reconciliation of the Project's construction fee. The final payment of the Project has not yet been determined and settled. The evidentiary hearing was held by the Court on 21 March 2023 but the date of the first trial was not confirmed as at the Latest Practicable Date.

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Xi'an Geely has been in active discussion with its in-house lawyers for responding to the Complaints and it is also preparing for the coming first trial.

Considering the status of the Dispute, the following steps were carried out by the Group:

- a) engaging the PRC legal adviser for preparing a memo to analyze the Dispute (the “**Memo**”);
- b) reviewing the Memo and discussing with the PRC legal adviser in relation to the maximum exposure that Xi'an Geely would have in relation to the Dispute;
- c) discussing with the Valuer with respect to the potential impact on the valuation of Xi'an Geely;
- d) assigning its representative to Xi'an Geely for monitoring the progress of the Dispute; and
- e) negotiating with Geely Manufacturing to amend the payment and indemnity clauses under the Acquisition Agreement.

According to the Memo, it is advised by the PRC legal adviser that the Dispute and the Complaints would not have a material adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties. If the effective judgement of the Court requires Xi'an Geely to pay the corresponding Project construction fees and interest, Xi'an Geely shall make such payment.

Based on the discussion with the Valuer, the appraised property value of Xi'an Geely is made by using the asset-based approach in accordance with the replacement cost method, which mainly takes into account the market value of the Properties. Therefore, the potential legal proceeding related to the Dispute will not affect the market value of the total assets of Xi'an Geely as at the Valuation Date (i.e. 30 September 2022); but the effective judgement of the Court related to the payment to be made by Xi'an Geely would potentially affect the appraised net asset value of Xi'an Geely, in which Xi'an Geely's assets would remain the same, whereas its liabilities would increase in the event that the payment exceeds the Provision. The appraised value of Xi'an Geely as at 30 September 2022 had taken into account the Provision that was recorded in trade and other payables of Xi'an Geely as at 30 September 2022.

Considering the above, the Board is of the view that the Dispute and the Complaints would not have a material and adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties. Considering that (i) Zhejiang Jirun and Geely Manufacturing further agreed to extend the expiry date of the Indemnity Period to 31 December 2024; (ii) the payment terms under the Acquisition Agreement were amended such that the Remaining Consideration, being 40% of the Consideration, subject to adjustment, will be payable upon the Dispute is fully settled; (iii) in the event that the effective judgement or the court mediation agreement with respect to the Dispute requires Xi'an Geely to make payment exceeding the Provision, such exceeded amount will be deducted from the Remaining Consideration; and (iv) it is advised by the PRC legal adviser that the Dispute and the Complaints would not have a material adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties, the Board is of the view that there are sufficient measures to safeguard the interests of the Company and the Shareholders as a whole. The Company is closely monitoring the progress of the Dispute and the Complaints and will issue further announcement with respect to the latest information of the

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development of the Dispute and the Complaints as and when appropriate. If the Dispute is adjudicated by the Court or the parties agree to enter into a mediation agreement, upon payment of the corresponding Project construction fees and interest to the Contractor, Xi'an Geely will be able to obtain all required documents from the Contractor and apply for the real estate title certificates of the Remaining Properties. As at the Latest Practicable Date, the Group did not have a back-up plan in place.

Conditions precedent

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

- (i) Zhejiang Jirun being satisfied with the results of its due diligence review on Xi'an Geely, including but not limited to, the possession by Xi'an Geely of all approvals, consents and permits, and completion of all filings necessary to conduct the business operations of Xi'an Geely;
- (ii) the Company having made the announcement and obtained the Independent Shareholders' approval for the Acquisition Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;
- (iii) Geely Manufacturing and Zhejiang Jirun having obtained their respective valid internal approval for the Acquisition Agreement and the transaction contemplated thereunder;
- (iv) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the Acquisition Agreement and the transaction contemplated thereunder, including but not limited to, the obtaining of the new business license of Xi'an Geely (if applicable) and the completion of registration procedures with the State Administration for Market Regulation in relation to the Acquisition;
- (v) the representations and warranties made by Geely Manufacturing in the Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Geely Manufacturing having fully performed its obligations under the Acquisition Agreement on or before completion of the Acquisition; and
- (vi) (a) there being no material adverse change in the existence, business and financial positions of Xi'an Geely; and (b) no statute, regulation, proceeding or order pertaining to Xi'an Geely having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the completion date of the Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transaction contemplated under the Acquisition Agreement.

In respect of condition (iv) above, to the best of the Directors' knowledge, as at the Latest Practicable Date, there were no material approvals, consents, filings and/or waivers required for the Acquisition apart from the application to be made to the State Administration for Market Regulation for the transfer of the entire equity interest in Xi'an Geely from Geely Manufacturing to Zhejiang Jirun. In the event that the conditions set out above are not fulfilled or waived (other than conditions (ii) and (iv) above) on or before

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30 June 2023 (or such later date as the parties may agree in writing), any party to the Acquisition Agreement is entitled to terminate the Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the 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 Acquisition Agreement will become null and void upon such termination and the Acquisition Agreement will be of no further effect, save for any antecedent breach. As at the Latest Practicable Date, conditions (i) and (iii) above had been fulfilled.

Completion of Acquisition

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

Subject to fulfillment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, it is expected that completion of the Acquisition will take place on or before 30 June 2023.

Information of Xi'an Geely

Principal business of Xi'an Geely

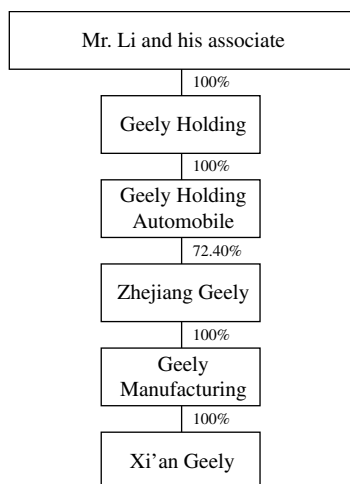
Xi'an Geely is a limited liability company incorporated in the PRC in 2017 and was a wholly-owned subsidiary of Geely Manufacturing as at the Latest Practicable Date. The principal activities of Xi'an Geely include the manufacture and sale of CKDs, automobile parts and components in the PRC.

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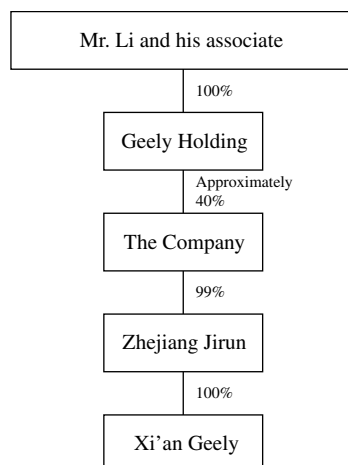
Shareholding structure of Xi'an Geely

The following diagrams set out the shareholding structure of Xi'an Geely before and upon completion of the Acquisition:

As at the Latest Practicable Date



Upon completion of the Acquisition



Financial information of Xi'an Geely

Set out below is the financial information of Xi'an Geely for the years/period as indicated below prepared under the HKFRS:

	For the year ended 31 December		For the nine months ended
	2020	2021	30 September
		<i>(Unaudited)</i>	2022
		<i>RMB'million</i>	
(Loss)/Profit before taxation	(41.7)	(312.5)	165.7
(Loss)/Profit after taxation	(42.2)	(244.1)	128.0
			<i>(Unaudited)</i>
			<i>RMB million</i>
Net asset value as at 30 September 2022			139.7

As at 30 September 2022, the total assets of Xi'an Geely mainly comprised property, plant and equipment including the Properties for manufacturing purposes as well as trade and other receivables. Total liabilities of Xi'an Geely mainly comprised trade and other payables. There was no shareholder loan for Xi'an Geely as at 30 September 2022.

LETTER FROM THE BOARD

As at 30 September 2022, the carrying amount of the Remaining Properties represented approximately 19.9% over the carrying amount of the total assets of Xi'an Geely and the appraised value of the Remaining Properties represented approximately 19.5% over the appraised value of total assets of Xi'an Geely as confirmed by the Valuer.

Upon completion of the Acquisition, Xi'an Geely will become a subsidiary of the Company and the financial results of Xi'an Geely will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the section headed "Information on Xi'an Geely", Xi'an Geely is principally engaged in the manufacture and sale of CKDs, automobile parts and components in the PRC. It is currently manufacturing the CKDs and automobile components of Geely-branded vehicles including a few SUV models under Geely Brand (the "**Geely-branded SUV Models**") and smart-branded vehicles.

The Geely-branded SUV Models received high volume of orders from customers since their launch in 2021. Before the completion of the Acquisition, the Group has been procuring CKDs and automobile components from the Geely Holding Group for the use in the Geely-branded SUV Models pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement. The prices of such CKDs and automobile components are calculated at a cost-plus basis according to the actual manufacturing costs incurred by the Geely Holding Group plus an agreed margin rate. After completion of the Acquisition, the Group will manufacture the Geely-branded SUV Models on its own and thus reduce its reliance on the Geely Holding Group in this regard. It is also the Group's intention to centralize the manufacturing function with its own manufacturing facilities in the long run. It is expected that the Group will benefit from saving the costs of paying the cost-plus-margin fee to the Geely Holding Group for the manufacturing of the Geely-branded SUV Models.

As part of the business improvement plan, the Group will review the utilisation rates of the existing manufacturing facilities from time to time in order to optimise its resources allocation. The Group has been exploring options to increase the productivity of its manufacturing facilities in a cost-effective way. Since it will incur enormous cost for the Group to (i) retool the existing manufacturing facilities and/or (ii) build up a new manufacturing plant to produce the Geely-branded SUV Models, the Group believes that it will be more effective and economical to acquire Xi'an Geely and its existing manufacturing facilities to produce the Geely-branded SUV Models.

The Board (including the independent non-executive Directors) is of the view that there is no specific disadvantage for the Group to enter into the Acquisition Agreement (together with the Supplemental Agreement).

Having considered the above including the reasons and benefits for entering into the Acquisition Agreement (together with the Supplemental Agreement) and the major terms of the Acquisition Agreement (together with the Supplemental Agreement), the Board (including the independent non-executive Directors) considers that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Group and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION OF THE VALUATION REPORT

The appraised value of Xi'an Geely as at 30 September 2022 was determined based on the asset-based approach according to the Valuation Report. The principal assumptions of the valuation are:

- all relevant legal approvals and business certificates or licenses to operate the business in which Xi'an Geely operates or intends to operate have been or would be officially obtained and renewable upon expiry;
- there will be no major change in the political, legal, economic and social environment in which Xi'an Geely operates or intends to operate;
- interest rates and exchange rates in the localities for the operation of Xi'an Geely will not differ materially from those presently prevailing;
- it is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- the financial and operational information provided by Xi'an Geely is accurate and reliable;
- there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;
- the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of Xi'an Geely through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;
- it is assumed the continuation of prudent management of Xi'an Geely over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;
- Xi'an Geely will successfully carry out all necessary activities for the development of its business as a going concern;
- key management, competent personnel and technical staff to support the ongoing operations of Xi'an Geely;
- the competitive advantages and disadvantages of Xi'an Geely do not change significantly during the period under consideration; and
- for the buildings of the property which have not been provided with Real Estate Title Certificate, the independent valuer has valued the properties on the assumption that the properties can be freely transferred or disposed without payment of any further land premium, construction cost, penalty or transfer fees.

LETTER FROM THE BOARD

The Board's view on the fairness and reasonableness of the valuation methodology and assumptions

The Directors have reviewed the methodology of, and the bases and assumptions adopted for, the valuation of Xi'an Geely as stated in the Valuation Report. Based on the review of the Valuation Report and having considered that (i) the valuation is in compliance with the International Valuation Standards issued by the International Valuation Standards Council and the RICS Valuation-Global Standards issued by the Royal Institution of Chartered Surveyors ("RICS"), a global professional body for surveyors; (ii) the assumptions adopted by the Valuer in the Valuation Report are reasonable and it is not uncommon in practice for the purpose of assessing the market value of Xi'an Geely based on asset-based approach; and (iii) the Board has not identified any major factors which would cause them to doubt the fairness and reasonableness of the valuation methodology (i.e. the asset-based approach) or the assumptions adopted by the Valuer, the Directors are of the view that the valuation methodology (i.e. the asset-based approach) and assumptions adopted by the Valuer in the Valuation Report are fair and reasonable and the valuation of Xi'an Geely as of 30 September 2022 has been made after due and careful enquiry.

The Board's assessment on the independence of the Valuer

To the best of the knowledge, information and belief of the Directors, the Valuer is an independent third party. As at the Latest Practicable Date, the Valuer did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

The Board's assessment on the competence of the Valuer

Asia-Pacific Consulting and Appraisal Limited is a company registered in Hong Kong that can carry out valuation, financial consulting and other businesses, and is also a company member registered with RICS. The responsible person of the Valuer in the valuation of Xi'an Geely are Mr. David Cheng and Mr. Jack Li.

Mr. David Cheng is the Partner of Asia-Pacific Consulting and Appraisal Limited. He is a member of the RICS. He has more than 20 years of professional assessment experience in the PRC, Hong Kong and the Asia-Pacific region, is the first to participate in the reorganization of stated-owned enterprises listed valuers. He has participated in dozens of large-scale enterprise restructuring evaluation work for clients including large state-owned enterprises.

Mr. Jack Li is the Partner of Asia-Pacific Consulting and Appraisal Limited. He is a member of the RICS. He has extensive experiences in consulting and valuation in capital market for various companies in the PRC, Hong Kong and the Asia-Pacific region. He has been responsible for the consulting and valuation works for various listed companies in Hong Kong and overseas, to provide the financial reporting reference and internal investment reference on the value of equity interest, intangible assets, mineral assets, financial instruments etc.

Taking into account the above qualifications and experience of Mr. David Cheng and Mr. Jack Li, the Board considers the Valuer a competent expert in performing the valuation of Xi'an Geely as of 30 September 2022.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITION

CKDs and Automobile Components Sales Agreement

After the completion of the Acquisition, Xi'an Geely will continue to manufacture and sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group. Such transactions will become continuing connected transactions for the Company.

On 12 December 2022, the Company entered into the CKDs and Automobile Components Sales Agreement with the Geely Holding for a term from the completion date of the Acquisition to 31 December 2025 in order to regulate the foregoing continuing connected transactions. The proposed annual caps under the CKDs and Automobile Components Sales Agreement are approximately RMB25,090.2 million, RMB34,109.6 million and RMB30,861.0 million for the three years ending 31 December 2025, respectively.

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

Date

12 December 2022 (after trading hours)

Parties

Vendor: The Company

Purchaser: Geely Holding

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

Geely Holding is principally engaged in the sales of automobiles and related parts and components wholesale and retail business. As at the Latest Practicable Date, Geely Holding was beneficially wholly-owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial shareholder holding approximately 42.15% of the issued share capital of the Company. Accordingly, Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Subject matter

Pursuant to the CKDs and Automobile Components Sales Agreement, it was conditionally agreed that the Group will sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group.

LETTER FROM THE BOARD

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

Term

The CKDs and Automobile Components Sales Agreement has a term from the completion date of the Acquisition to 31 December 2025.

Conditions precedent to the CKDs and Automobile Components Sales Agreement

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

If the above conditions have not been fulfilled on or before 30 June 2023 (or such later date as the parties may agree in writing), the CKDs and Automobile Components Sales Agreement will lapse.

Termination

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

Pricing basis and proposed CKDs and Automobile Components Sales Annual Caps

(a) Pricing Basis

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

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

The margin rates will be determined by the Company and Geely Holding after arm's length negotiation with reference to the range between the lower quartile and the upper quartile of the three-year weighted average cost-plus-margins of comparable companies producing similar products as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the

LETTER FROM THE BOARD

same qualification. According to the transfer pricing analysis report furnished by a multinational accounting firm issued on 25 November 2022 (the “**Supply Pricing Analysis Report**”), the margin rates are applicable to the direct material costs and the overheads other than direct material costs respectively. Such margin rates are only for the purpose of calculating the proposed annual caps below and may be changed from time to time and shall not be deemed to be the fixed rate for the transactions throughout the term of the CKDs and Automobile Components Sales Agreement. It is impracticable to obtain price quotation of comparable CKDs and automobile components for similar vehicle models of different vehicle brand due to different technology and production process for the CKDs and automobile components and price competition among competitors. Therefore, the pricing basis under the CKDs and Automobile Components Sales Agreement will be based on cost-plus basis. Having considered the pricing basis with reference to the Supply Pricing Analysis Report, the Board (including the independent non-executive Directors) considers the pricing basis under the CKDs and Automobile Components Sales Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The table below sets out the proposed CKDs and Automobile Components Sales Annual Caps in relation to vehicle models including smart-branded vehicles. After the commencement of the CKDs and Automobile Components Sales Agreement, the Group will manufacture the CKDs and automobile components for the use in the smart-branded vehicles according to the instruction of the Geely Holding Group. The CKDs and automobile components in relation to the smart-branded vehicles to be procured by the Geely Holding Group will be further sold to the smart Group for the manufacture and sales of the smart-branded vehicles.

	Proposed annual caps for the year ending 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of CKDs and automobile components by the Group to the Geely Holding Group	25,090.2	34,109.6	30,861.0

As advised by the auditor of the Group, since the Group does not obtain control over the CKDs and automobile components in relation to the smart-branded vehicles before such CKDs and automobile components are sold to the Geely Holding Group, the Group is acting as an agent in respect of the sale of the CKDs and automobile components to the Geely Holding Group pursuant to the CKDs and Automobile Components Sales Agreement. As such, the sales and purchases of CKDs and automobile components in relation to the smart-branded vehicles will be presented on a net basis in the consolidated income statement of the Group. For the avoidance of doubt, the CKDs and Automobile Components Sales Annual Caps are calculated on a gross basis which represent the sales amount of CKDs and automobile components by the Group to the Geely Holding Group.

Given the net revenue generated from the transactions contemplated under the CKDs and Automobile Components Sales Agreement will not be significant to the Group in terms of revenue amount which represent not more than 1% of the total revenue of the Group for each of the years ending 31 December 2023, 2024 and 2025, the Group is of the view that the entering into the CKDs and Automobile Components Sales Agreement will not create material reliance on the Geely Holding Group.

LETTER FROM THE BOARD

(b) Basis of determination of the proposed annual caps

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

- (i) the estimated number of units of CKDs and automobile components in relation to the smart-branded vehicles to be sold by the Group to the Geely Holding Group, which in turn was determined based on the projected unit sales of the smart-branded vehicles (including existing smart-branded vehicles and the new model of smart-branded vehicles which is expected to be launched in 2023) for the three years ending 31 December 2025;
- (ii) the estimated costs of manufacturing CKDs and automobile components in relation to the existing and the upcoming vehicle model of smart-branded vehicles (including but not limited to the material costs, labour costs and overhead costs) and the related taxes for the three years ending 31 December 2025; and
- (iii) the margin rates over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Supply Pricing Analysis Report.

The increase in the CKDs and Automobile Components Sales Annual Caps for the year ending 31 December 2024 is primarily due to (i) the new vehicle model of smart-branded vehicle is expected to be launched during 2023; and (ii) the sales volume of that model is expected to increase in 2024 compared to the sales volume in 2023. The decrease in the CKDs and Automobile Components Sales Annual Caps for the year ending 31 December 2025 is primarily due to the expected decrease in the sales volume of the smart-branded vehicles after reaching the peak sales volume in 2024.

The Board (including the independent non-executive Directors) is of the view that the CKDs and Automobile Components Sales Annual Caps for the three years ending 31 December 2025 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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

Xi'an Geely is principally engaged in the manufacture and sale of CKDs and automobile parts and components in the PRC. Currently, Xi'an Geely is mainly engaged in manufacturing of the CKDs and automobile components in relation to the Geely-branded vehicles. Upon completion of the Acquisition, the Group is expected to have higher autonomy on the manufacturing process of Geely-branded vehicles. Given Xi'an Geely's available capacity, it has also manufactured and sold CKDs and automobile components of smart-branded vehicles to the Geely Holding Group according to specifications given by them. Since Xi'an Geely does not obtain control over the CKDs and automobile components in relation to the smart-branded vehicles before such CKDs and automobile components are sold to the Geely Holding Group, Xi'an Geely is acting as an agent in respect of the sale of the CKDs and automobile components of the smart-branded vehicles to the Geely Holding Group. For clarification purpose, smart is a vehicle brand of the joint venture company, which is owned as to 50% each by Geely Holding Automobile and a third party, respectively.

LETTER FROM THE BOARD

The technologies used for assembling the CKDs and automobile components of Geely-branded SUV Models and smart-branded vehicles are substantially different from each other as the pure electric vehicles adopt a different assembly process compared to non-pure electric vehicles. Given the sufficient production capacity reserved by Xi'an Geely for the manufacturing of CKDs and automobile components of the Geely-branded SUV Models which adopt a different assembly process, the manufacture of the CKDs and automobile components of smart-branded vehicles is not expected to occupy the production capacity of the Geely-branded SUV Models. Therefore, it is expected that the manufacture and sale of CKDs and automobile components of smart-branded vehicles to the Geely Holding Group pursuant to the CKDs and Automobile Components Sales Agreement will not have material adverse impact on the manufacture and sale of the Geely-branded SUV Models.

The utilization rate of the manufacturing facilities of Xi'an Geely is expected to increase after more smart-branded vehicles start to deliver in 2023. Moreover, the Group will benefit from broadening the income stream by selling CKDs and automobile components of smart-branded vehicles to the Geely Holding Group. Since the revenue generated from the transactions contemplated under the CKDs and Automobile Components Sales Agreement will be presented on a net basis in the consolidated income statement of the Group and such net amount will not be significant to the Group in terms of revenue amount which represent not more than 1% of the total revenue of the Group for each of the three years ending 31 December 2023, 2024 and 2025, the Group is of the view that the entering into the CKDs and Automobile Components Sales Agreement will not create material reliance on the Geely Holding Group.

The Group currently holds two major brands, namely Geely and ZEEKR. Under the Geely Brand, the Geome series targets the mass market for pure electric vehicle market and the ZEEKR brand is a new luxury smart pure electric vehicle brand of the Group. Although the smart Brand is also positioned as a pure electric vehicle brand, there is no horizontal competition that casts material adverse impact on the Group among smart, Geome series and ZEEKR due to the following major reasons:

Target market: smart targets different market compared to ZEEKR and Geome series. smart targets the mid-to-high-end BEV market while ZEEKR targets the luxury BEV market with a considerably higher average price. On the contrary, Geome series targets the entry-level BEV segment with a lower price range.

Target customers: smart has a distinctive target customers group differentiated from that of ZEEKR and Geome series. smart targets the middle class customers who prefer smaller size vehicles which are more applicable for individual use. ZEEKR and Geome series both offer bigger size vehicles which can meet the need of family trips while ZEEKR targets the affluent adults located in the first-and-second-tier cities in China and Geome series targets the mass public.

Management team: The management teams of smart, ZEEKR and Geome series are independent from each other and there is no overlapping management personnel among smart, ZEEKR and Geome series.

In view of the rapid growth in the BEV market in the PRC, the Group considers there is huge potential in the development of smart, ZEEKR and Geome series. Given the potential business growth, the Group is actively exploring different options to collaborate with smart. The Group believes that such potential synergy with smart will be beneficial to the development BEV business of the Group in the long run.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) is of the view that there is no specific disadvantage for the Company to enter into the CKDs and Automobile Components Sales Agreement and the transactions contemplated thereunder.

Taking into consideration the above, the Board (including the independent non-executive Directors) is of the view that the entering into of the CKDs and Automobile Components Sales Agreement is beneficial to the Group as a whole.

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

In order to ensure that the aforesaid pricing basis for the CKDs and Automobile Components Sales Agreement is adhered to, the finance department of the Company will monitor the relevant manufacturing costs and overhead costs to ensure that the selling price of such CKDs and automobile components are determined properly. The finance department of the Company would review the relevant manufacturing costs and overhead costs on a quarterly basis to ensure the relevant cost incurred are accurately accounted for. The finance department and legal department of the Company and Geely Holding will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in the such transactions. The Company and Geely Holding will determine the margin rate with reference to a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. The finance department of the Company and Geely Holding will review the scope of the CKDs and automobile components to be sold by the Group to the Geely Holding Group on yearly basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis report shall be obtained for the determination of the margin rate. The tax department of the Company would coordinate and obtain an updated transfer pricing analysis report when it is determined necessary to obtain an updated one. The margin rate will be determined with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus margins of the comparable companies as stated in such updated transfer pricing analysis report.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Geely Manufacturing was indirectly owned as to 72.40% by Geely Holding, which was ultimately beneficially wholly-owned by Mr. Li and his associate.

Mr. Li is an executive Director and a substantial shareholder holding approximately 42.15% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Geely Manufacturing is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the transactions contemplated under the CKDs and Automobile Components Sales Agreement constitute connected transaction and continuing connected transactions of the Company, respectively.

As one of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As the applicable percentage ratios in respect of the proposed annual caps for the CKDs and Automobile Components Sales Agreement are more than 5% on an annual basis, the entering into of the CKDs and Automobile Components Sales Agreement is subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Acquisition and the entering into of the CKDs and Automobile Components Sales Agreement by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving the Acquisition and the CKDs and Automobile Components Sales Agreement.

Mr. Li and his associates together holding 4,239,028,000 Shares (representing approximately 42.15% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company), Mr. Li Dong Hui, Daniel and his associates together holding 5,004,000 Shares (representing approximately 0.05% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company), and Mr. An Cong Hui and his associates together holding 7,876,000 Shares (representing approximately 0.08% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Connected Transaction and Continuing Connected Transactions.

Save as disclosed above, no other Directors and/or Shareholders would be required to abstain from voting on the resolutions at the EGM to approve the Connected Transaction and Continuing Connected Transactions.

EGM

The EGM will be convened to consider and approve the Connected Transaction and Continuing Connected Transactions. 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 3/F., Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Friday, 28 April 2023 at 10:00 a.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

LETTER FROM THE BOARD

RECOMMENDATION

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

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 32 to 61 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 to 31 of this circular.

The Board (including the independent non-executive Directors) considers that, although the Acquisition is not entered into in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement (together with the Supplemental 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.

The Board (including the independent non-executive Directors) considers that, the Continuing Connected Transactions (including their respective annual caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the relevant ordinary 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 30 to 31 and pages 32 to 61 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

6 April 2023

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF XI'AN GEELY AND PROPOSED CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 6 April 2023 of the Company (the “**Circular**”) 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 Connected Transaction and Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 9 to 29 of the Circular and the letter from the Independent Financial Adviser as set out on pages 32 to 61 of the Circular which contains, *inter alia*, their advice and recommendation to us regarding the terms of the Connected Transaction and the Continuing Connected Transactions with the principal factors and reasons for those advice and recommendation.

RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that, (i) although the Acquisition is not entered into in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement (together with the Supplemental 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; and (ii) the terms of the Continuing

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Connected Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Connected Transaction and the Continuing Connected Transactions.

Yours faithfully,

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

Mr. An Qing Heng

Mr. Wang Yang

Ms. Lam Yin Shan, Jocelyn

Ms. Gao Jie

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



5/F Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

6 April 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(I) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF XI'AN GEELY (II) PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the continuing connected transactions in relation to the CKDs and Automobile Components Sales Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 6 April 2023, 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 12 December 2022 (after trading hours), Zhejiang Jirun, an indirect 99% owned subsidiary of the Company, entered into the Acquisition Agreement with Geely Manufacturing with regard to the acquisition of the entire equity interest of Xi’an Geely, for a cash consideration of RMB382.45 million. Upon completion of the Acquisition, Xi’an Geely will become a subsidiary of the Company.

After the completion of the Acquisition, Xi’an Geely will continue to manufacture and sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group. Such transactions will become continuing connected transactions for the Company. On 12 December 2022, the Company entered into the CKDs and Automobile Components Sales Agreement with Geely Holding for a term from the completion date of the Acquisition to 31 December 2025 in order to regulate the foregoing continuing connected transactions (the “**Continuing Connected Transactions**”). The proposed annual caps under the CKDs and Automobile Components Sales Agreement are approximately RMB25,090.2 million, RMB34,109.6 million and RMB30,861.0 million for the three years ending 31 December 2025, respectively.

As at the Latest Practicable Date, Geely Manufacturing was indirectly owned as to 72.40% by Geely Holding, which is ultimately beneficially owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial shareholder holding approximately 42.15% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Geely Manufacturing is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the transactions contemplated under the CKDs and Automobile Components Sales Agreement constitute connected transaction and continuing connected transactions of the Company, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As the applicable percentage ratios in respect of the proposed annual caps for the CKDs and Automobile Components Sales Agreement are more than 5% on an annual basis, the entering of the CKDs and Automobile Components Sales Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the Acquisition and the Continuing Connected Transactions.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Acquisition and the Continuing Connected Transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to the Acquisitions, the Ningbo Viridi Subscription and certain continuing connected transactions as disclosed and defined in the circular of the Company dated 5 August 2021; (ii) the appointment as the independent financial adviser in relation to certain continuing connected transactions as disclosed in the circular of the Company dated 16 November 2021; (iii) the appointment as the independent financial adviser in relation to the acquisition of shares of ZEEKR as disclosed in the circular of the Company dated 30 November 2021; (iv) the appointment as the independent financial adviser in relation to certain continuing connected transactions as disclosed in the circular of the Company dated 26 October 2022; (v) the appointment as the independent financial adviser in relation to certain acquisitions as disclosed in the announcement of the Company dated 20 January 2023; and (vi) this appointment as the independent financial adviser in relation to the Acquisition and the Continuing Connected Transactions (collectively, the "**IFA Engagements**"), we did not have any other relationship with or interests in the Company, the counterparties of the Acquisition and the Continuing Connected Transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Furthermore, our remuneration for each of the IFA Engagements represented normal professional fees (which were not considered material) and did not affect our independence. Accordingly, we consider we are eligible to give independent advice on the terms of the Acquisition and the Continuing Connected Transactions.

BASIS OF OUR OPINION

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

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Acquisition

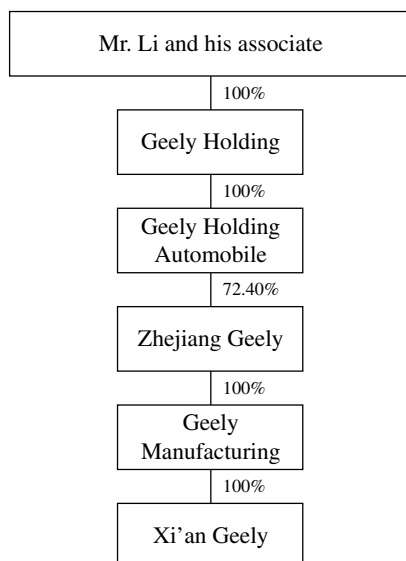
On 12 December 2022 (after trading hours), Zhejiang Jirun, an indirect 99% owned subsidiary of the Company, entered into the Acquisition Agreement with Geely Manufacturing with regard to the acquisition of the entire equity interest of Xi'an Geely, for a cash consideration of RMB382.45 million.

Xi'an Geely is engaged in the manufacture and sale of CKDs, automobile parts and components in the PRC. Xi'an Geely is currently manufacturing the CKDs and automobile components of Geely-branded vehicles including a few Geely-branded SUV Models under Geely Brand and smart-branded vehicles. Upon completion of the Acquisition, Xi'an Geely will become a subsidiary of the Company and the financial results of Xi'an Geely will be consolidated into the consolidated financial statements of the Group.

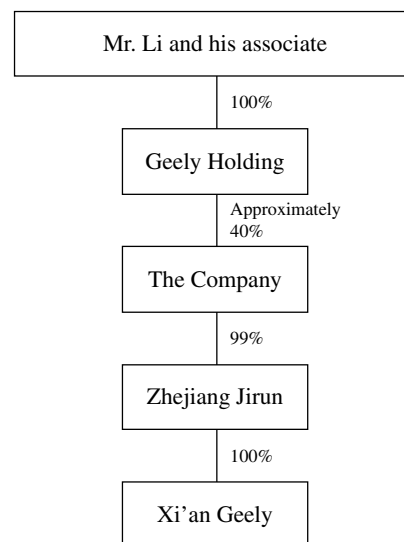
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The shareholding structure of Xi'an Geely before and upon completion of the Acquisition is set out below.

As at the Latest Practicable Date



Upon completion of the Acquisition



2. Information of the Company and the counterparties of the Acquisition

2.1. Background of the Company and the counterparties of the Acquisition

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.

Geely Holding

Geely Holding is principally engaged in the sales of automobiles and related parts and components wholesale and retail business. As at the Latest Practicable Date, Geely Holding was beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial shareholder holding approximately 42.15% of the issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company.

Zhejiang Jirun

Zhejiang Jirun was an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date. Zhejiang Jirun is principally engaged in the research, development, production, marketing and sales of vehicles and related automobile components in the PRC.

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Geely Manufacturing

Geely Manufacturing is directly wholly-owned by Zhejiang Geely, which is in turn 72.40% owned by Geely Holding. Geely Manufacturing is principally engaged in the manufacture and sale of automobile parts and components in the PRC.

2.2. Historical financial performance of the Group

Set out below is a summary of the financial results of the Group for the three years ended 31 December 2020 (“**FY2020**”), 2021 (“**FY2021**”) and 2022 (“**FY2022**”) as extracted from the Company’s respective financial reports and results announcements.

	FY2020	FY2021	FY2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Audited)
Revenue			
– Sales of automobiles and related services	83,814	87,697	122,783
– Sales of automobile parts and components	6,989	8,799	8,779
– Sales of battery packs and related parts	–	589	8,018
– Research and development and related technological support services	745	3,251	6,728
– Licensing of intellectual properties	566	1,275	1,657
	<u>92,114</u>	<u>101,611</u>	<u>147,965</u>
Total revenue			
	<u>92,114</u>	<u>101,611</u>	<u>147,965</u>
Gross profit	<u>14,737</u>	<u>17,412</u>	<u>20,896</u>
Profit attributable to equity holders	<u>5,534</u>	<u>4,847</u>	<u>5,260</u>

FY2022 vs FY2021

As disclosed in the results announcement of the Company for FY2022, the Group recorded revenue of approximately RMB148.0 billion for FY2022, representing an increase of 46% as compared to that of approximately RMB101.6 billion for FY2021. The Group sold a total of 1,432,988 units of vehicles in 2022, representing an increase of 8% from 1,328,031 units of vehicles sold in 2021. The Group’s domestic wholesale volume increased by 2%, whilst its export wholesale volume continued to perform well and grew by 72% in 2022. The Group’s average ex-factory selling price increased by 30% for FY2022 as a result of the continued improvement in the product pricing and product mix. As the new energy vehicles recorded a lower gross margin ratio as compared to that of fuel vehicles while their proportion increased rapidly, the Group’s gross margin ratio decreased by 3 percentage points to 14.1% for FY2022. The Group’s profit attributable to equity holders increased by 9% to approximately RMB5.3 billion for FY2022, which was contributed by the improvement in the Group’s sales

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

performance for FY2022, whilst the impacts brought by the surging costs of batteries, chips and other parts and components as well as significant investment the Group made to ZEEKR during its early development stage put pressure on the profitability of the Group during FY2022.

FY2021 vs FY2020

As disclosed in the annual report of the Company for FY2021, the Group sold a total of 1,328,031 units of vehicles in 2021, up 1% from 2020 and the total revenue increased by 10% to RMB101.6 billion in 2021. The Group's domestic wholesale volume decreased by 3% in 2021, whilst its export sales volume continued to grow strongly by 58% as a result of robust recovery of demand in major export markets. Despite the negative impact of global shortage of chips supply and raw material price hikes, gross margin ratio improved during the year primarily due to better product mix. The selling and distribution expenses during the year were kept at relatively high levels to maintain the competitiveness of the Group's dealers in a highly competitive market. The Group's profit attributable to equity holders decreased by 12% to RMB4.8 billion in 2021, mainly due to higher operating and research and development expenses, and recognition of share-based expenses during the year.

2.3. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2022 as extracted from the results announcement of the Company for FY2022.

	As at 31 December 2022 <i>RMB'million</i> (Audited)
Non-current assets	78,762
Current assets	79,064
Non-current liabilities	(12,677)
Current liabilities	<u>(68,953)</u>
Net assets	<u>76,196</u>

As at 31 December 2022, total assets of the Group amounted to approximately RMB157.8 billion, which mainly comprised (i) trade and other receivables of approximately RMB35.8 billion; (ii) bank balances and cash of approximately RMB33.3 billion; (iii) property, plant and equipment of approximately RMB32.2 billion; and (iv) intangible assets of approximately RMB22.5 billion.

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As at 31 December 2022, total liabilities of the Group amounted to approximately RMB81.6 billion, which mainly comprised (i) trade and other payables of approximately RMB67.1 billion; (ii) loan from a related company of approximately RMB6.0 billion; and (iii) bank borrowings of approximately RMB2.8 billion.

As at 31 December 2022, the Group recorded net assets of approximately RMB76.2 billion.

3. Information of Xi'an Geely

3.1. Background information of Xi'an Geely

Xi'an Geely was incorporated in the PRC in 2017 and was a wholly-owned subsidiary of Geely Manufacturing as at the Latest Practicable Date. Xi'an Geely is engaged in the manufacture and sale of CKDs, automobile parts and components in the PRC. Xi'an Geely is currently manufacturing the CKDs and automobile components of Geely-branded vehicles including a few Geely-branded SUV Models under Geely Brand and smart-branded vehicles.

3.2. Historical financial performance and financial position of Xi'an Geely

Set out below is a summary of the financial information of Xi'an Geely for FY2020, FY2021 and the nine months ended 30 September 2022 ("9M2022") as extracted from the unaudited financial information of Xi'an Geely prepared under the HKFRS.

	FY2020	FY2021	9M2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	12.9	5,941.2	10,707.7
(Loss)/Profit before taxation	(41.7)	(312.5)	165.7
(Loss)/Profit after taxation	(42.2)	(244.1)	128.0

Revenue of Xi'an Geely amounted to approximately RMB12.9 million, RMB5,941.2 million and RMB10,707.7 million for FY2020, FY2021 and 9M2022, respectively, which were generated from the sales of CKDs, automobile parts and components. The significant increase in revenue for FY2021 was mainly due to the increase in orders following the commencement of production of a vehicle model in the second half of 2021, and the increase in revenue in 9M2022 was due to the continued increase in orders following the manufacturing of more vehicle models by Xi'an Geely. The increase in loss after taxation from approximately RMB42.2 million for FY2020 to approximately RMB244.1 million for FY2021 was mainly due to the increase in cost of sales and administration expenses resulting from the increase in scale of manufacturing in FY2021. Xi'an Geely recorded profit after taxation of approximately RMB128.0 million for 9M2022 as compared to loss for FY2021, which was mainly attributable to increase in manufacturing efficiency that resulted in Xi'an Geely achieving positive profit margin in 9M2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial position of Xi'an Geely as at 30 September 2022 as extracted from the unaudited financial information of Xi'an Geely prepared under the HKFRS.

	As at 30 September 2022 <i>RMB'million</i>
Non-current assets	2,997.1
Current assets	3,323.8
Current liabilities	(5,824.9)
Non-current liabilities	<u>(356.3)</u>
Net assets	<u>139.7</u>

As at 30 September 2022, the book value of total assets of Xi'an Geely amounted to approximately RMB6,320.9 million, which mainly comprised (i) property, plant and equipment of approximately RMB2,950.3 million, which mainly comprised the Properties; (ii) trade and other receivables of approximately RMB2,450.8 million; and (iii) inventories of approximately RMB688.5 million.

As at 30 September 2022, the book value of total liabilities of Xi'an Geely amounted to approximately RMB6,181.2 million, which mainly comprised trade and other payables of approximately RMB5,824.9 million.

As at 30 September 2022, the book value of the net assets of Xi'an Geely amounted to approximately RMB139.7 million.

4. Reasons for and benefits of the Acquisition

Xi'an Geely is currently manufacturing the CKDs and automobile components of Geely-branded vehicles including a few Geely-branded SUV Models under Geely Brand and smart-branded vehicles. As set out in the Letter from the Board, the Geely-branded SUV Models received high volume of orders from customers since their launch in 2021. Before the completion of the Acquisition, the Group has been procuring CKDs and automobile components from the Geely Holding Group for the use in the Geely-branded SUV Models pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement. The prices of such CKDs and automobile components are calculated at a cost-plus basis according to the actual manufacturing costs incurred by the Geely Holding Group plus an agreed margin rate. After the completion of the Acquisition, the Group will manufacture the Geely-branded SUV Models on its own and thus reduce its reliance on the Geely Holding Group in this regard. It is also the Group's intention to centralise the manufacturing function with its own manufacturing facilities in the long run. It is expected that the Group will benefit from saving the costs of paying the cost-plus-margin fee to the Geely Holding Group for the manufacturing of the Geely-branded SUV Models.

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As part of the business improvement plan, the Group will review the utilisation rates of the existing manufacturing facilities from time to time in order to optimise its resources allocation. The Group has been exploring options to increase the productivity of its manufacturing facilities in a cost-effective way. Since it will incur enormous cost for the Group to (i) retool the existing manufacturing facilities and/or (ii) build up a new manufacturing plant to produce the Geely-branded SUV Models, the Group believes that it will be more effective and economical to acquire Xi'an Geely and its existing manufacturing facilities to produce the Geely-branded SUV Models.

Our view

In view of the above, which the Acquisition (a) will enable the Group to manufacture the Geely-branded SUV Models on its own and reduce the reliance on the Geely Holding Group in this regard and save costs of paying cost-plus-margin fees to the Geely Holding Group; (b) will help the Group to centralise the manufacturing function with its own manufacturing facilities in the long run; (c) is a more cost-effective way for the Group to manufacture the Geely-branded SUV Models through the manufacturing facilities of Xi'an Geely instead of building a new manufacturing plant, and our analysis on the principal terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement) as discussed in the section below, we concur with the view of the Directors that although the Acquisition Agreement is not entered into in the ordinary and usual course of business of the Group, the terms of the Acquisition (as supplemented by the Supplemental Agreement) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. Principal terms of the Acquisition Agreement

Date

12 December 2022 (after trading hours)

Parties

Vendor: Geely Manufacturing

Purchaser: Zhejiang Jirun

Subject matter

Zhejiang Jirun conditionally agreed to acquire the equity interest of Xi'an Geely from Geely Manufacturing for a cash consideration of RMB382.45 million. Upon completion of the Acquisition, Xi'an Geely will become a subsidiary of the Company and the financial results of Xi'an Geely will be consolidated in the consolidated financial statements of the Group.

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Consideration

The total consideration for the Acquisition is RMB382.45 million (the “**Consideration**”). Pursuant to the Supplemental Agreement, the Consideration will be settled in the following manners: (i) RMB229,740,000, being 60% of the Consideration, will be payable in cash to Geely Manufacturing on the completion date of the Acquisition; and (ii) the remaining balance of RMB152,980,000 (the “**Remaining Consideration**”), being 40% of the Consideration, subject to the adjustment below, will be payable in cash to Geely Manufacturing within 10 Business Days after the Dispute is fully settled.

In the event the effective judgement or the court mediation agreement with respect to the Dispute requires Xi’an Geely to make payment exceeding the Provision made by Xi’an Geely, representing approximately 15% of the Project Consideration, Zhejiang Jirun is entitled to automatically deduct such exceeded amount from the Remaining Consideration.

The Consideration was determined after arm’s length negotiations between Zhejiang Jirun and Geely Manufacturing with reference to the appraised value of Xi’an Geely at the amount of RMB382.45 million as at 30 September 2022 determined by the Valuer using the asset-based approach.

It is expected that the Consideration will be funded by internal cash reserve of Zhejiang Jirun.

Conditions precedent

Completion of the Acquisition will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the conditions as set out in the paragraph headed “*Conditions precedent*” in the Letter from the Board.

Completion

Completion of the Acquisition will take place on the second Business Day after all the conditions precedent to the Acquisition Agreement have been fulfilled or waived (as they case may be) or such later date as the parties may agree in writing. Subject to fulfillment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, it is expected that the completion of the Acquisition will take place on or before 30 June 2023.

Indemnity and Undertaking given by Geely Manufacturing

As set out in the Letter from the Board, the Properties comprise (i) four parcels of land, (ii) 29 industrial and ancillary buildings; and (iii) relevant office equipment. As at the Latest Practicable Date, Xi’an Geely held one real estate title certificate for two buildings, two construction work permits and four construction work commencement work permits for the Properties. According to the PRC legal adviser of the Company, (i) the above certificate and

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permits for the Properties are true, legal and valid; and (ii) Xi'an Geely has legal ownership of the two buildings with real estate title certificate and can legally and beneficially own, use, occupy, transfer and lease out these buildings.

The PRC legal adviser noted that certain buildings of the Properties, namely the stamping workshop, welding workshop and office building of storage and transportation department (the “**Remaining Properties**”) do not possess the real estate title certificates. As at the Latest Practicable Date, Xi'an Geely was unable to complete the inspection procedures upon completion of the construction for the Remaining Properties and prepare all required documents (e.g. the forms of filing of as-built inspection (竣工驗收備案登記表)) for applying the real estate title certificates due to the Dispute (details of which are set out in the Letter from the Board and the sub-section below). The Dispute mainly concerns the calculation of the final payment of the construction fee relating to Xi'an Geely's manufacturing facilities. As at the Latest Practicable Date, Xi'an Geely and the Contractor had not yet reached an agreement on the final payment.

Notwithstanding the above, based on the due diligence review, confirmation of Xi'an Geely and Xi'an Geely's prior communication with local regulatory authority as well as the applicable PRC laws and regulations and requirements in relation to applying for real estate title certificates issued by the local housing and urban-rural development bureau, the PRC legal adviser is of the view that (a) Xi'an Geely is entitled to apply for real estate title certificates in respect of the Remaining Properties as and when the relevant application materials are fully prepared. The PRC legal adviser does not foresee any material legal impediment for Xi'an Geely to obtain such real estate title certificates once all application materials are prepared and submitted; (b) Xi'an Geely is not subject to any penalties or fines ordered by the local regulatory authority up to the Latest Practicable Date; and (c) the risk of Xi'an Geely being penalized and the Remaining Properties being formally repossessed as a result of the absence of real estate title certificates is low.

There are certain minor irregularities of Xi'an Geely (i.e. Xi'an Geely not being a registered entity to the registration procedures of the environmental protection, occupational disease and safety and handling of hazardous wastes originated from its production activities) (the “**Minor Irregularities**”) due to the local requirements. Zhejiang Haoqing was the then sole shareholder of Xi'an Geely. In 2018, Zhejiang Haoqing Xi'an branch obtained the project approval issued by Shannxi Provincial Development and Reform Commission for the construction of Xi'an passenger vehicles project. The project was carried out and completed by Xi'an Geely. Due to the local requirements, the registration procedures of the environmental protection, occupational disease and safety and handling of hazardous wastes originated from the project's production activities (being Xi'an Geely's production activities) were conducted by Zhejiang Haoqing Xi'an branch as it is the registered entity of the aforesaid project. As advised by the PRC legal adviser, (i) the risk of rectification or penalties or fines is low as Xi'an Geely has discussed the current situation with the local regulatory authority which has not imposed any rectification or penalties or fines on Xi'an Geely up to the Latest Practicable Date; and (ii) the Minor Irregularities will not affect the application for the real estate title certificates of the Remaining Properties under the conditions that the relevant application materials are fully prepared and submitted. Xi'an Geely is under discussions with the relevant

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local government authorities to obtain necessary approvals for amending the registered entity of the aforementioned procedures. The Minor Irregularities are expected to be rectified on or before 31 December 2024. Taking into account (a) the aforesaid opinion of the PRC legal adviser that the risk of rectification or penalties or fines in relation to the Minor Irregularities (which relate to matters such as environmental protection procedures and handling of wastes) is low and such Minor Irregularities will not affect the application for the real estate title certificates of the Remaining Properties under the conditions that the relevant application materials are fully prepared and submitted; and (b) the indemnification provided by Geely Manufacturing to Zhejiang Jirun (please refer to the paragraphs below for details) covering any loss, damage or liability suffered by Zhejiang Jirun concerning the Minor Irregularities, being a safeguard to the Group's interest, we concur with the view of the Group that the Minor Irregularities would not have a material adverse effect on the operations and financial conditions of Xi'an Geely.

According to the relevant applicable PRC laws and regulations, Xi'an Geely could be subject to liabilities, penalties and operation disruption (details of which are set out in the Letter from the Board). Xi'an Geely has adopted prevention and management procedures relating to environmental protection, occupational safety as well as hazardous waste treatment in accordance with the requirements approved by the relevant government authorities and the applicable PRC laws and regulations. The relevant government authorities are aware of such issues from their routine inspection and communications with Xi'an Geely and none of them had issued or imposed any rectification order or penalties on Xi'an Geely up to the Latest Practicable Date.

Pursuant to the Acquisition Agreement, Geely Manufacturing agreed to indemnify Zhejiang Jirun and provide indemnity up to the amount of the Consideration for the Acquisition against any loss, damage or liability suffered by Zhejiang Jirun concerning the Remaining Properties and other minor irregularities incurred before and 12 months after the completion date of the Acquisition (the "**Indemnity Period**"). Pursuant to the Supplemental Agreement, Zhejiang Jirun and Geely Manufacturing further agreed to extend the expiry date of the Indemnity Period to 31 December 2024.

In respect of the indemnity provided by Geely Manufacturing with any loss, damage or liability suffered by Zhejiang Jirun up to the amount of the consideration for the Acquisition concerning the Remaining Properties and other minor irregularities incurred before and 12 months after the completion date of the Acquisition, which the expiry date of such Indemnity Period was further extended to 31 December 2024 pursuant to the Supplemental Agreement (the "**Extended Indemnification Period**"), taking into account (a) the indemnification provided by Geely Manufacturing is up to the amount of the Consideration for the Acquisition (i.e. fully covers the total consideration amount of RMB382.45 million); (b) the scope of the indemnity extends to any loss, damage or liability concerning the Remaining Properties (that do not possess the real estate title certificates) as well as the minor irregularities; (c) the Extended Indemnification Period, being a period of up to 31 December 2024, in our opinion, is a reasonable and acceptable period, having considered the advice from the PRC legal adviser that (i) Xi'an Geely is entitled to apply for the real estate title certificates in respect of the Remaining Properties as and when the relevant application materials are fully prepared. It does

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not foresee any material legal impediment for Xi'an Geely to obtain the real estate title certificates in respect of the Remaining Properties once all application materials are prepared and submitted; (ii) the risk of Xi'an Geely being penalised as a result of the absence of real estate title certificates is low; and (iii) the risk of rectification or penalties or fines in relation to the minor irregularities is low as Xi'an Geely discussed the current situation with the local regulatory authority which had not imposed any rectification or penalties or fines on Xi'an Geely up to the Latest Practicable Date; and (d) in relation to the real estate title certificates of the Remaining Properties, Geely Manufacturing shall indemnify Zhejiang Jirun for its loss arising therefrom with possible interest penalty in the event that Xi'an Geely is unable to obtain the real estate title certificates of the Remaining Properties on or before 31 December 2024 based on the then valuation of the Remaining Properties (details of which are set out in the paragraph below), we consider that the indemnity provided by Geely Manufacturing to Zhejiang Jirun provides sufficient safeguard to the Group's interest and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, in the event that Xi'an Geely is unable to obtain the real estate title certificates of the Remaining Properties on or before 31 December 2024, Geely Manufacturing shall (i) indemnify Zhejiang Jirun for its loss arising therefrom, which shall be calculated based on the then valuation of the Remaining Properties prepared by a third party valuer approved by the parties to the Acquisition Agreement; and (ii) shall pay to Zhejiang Jirun a penalty calculated based on an annual interest rate of 3.65% of the aforesaid valuation amount, which was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the prevailing annual interest rate of 3.65% on loan prime rate (within one year) offered by the People's Bank of China. Such indemnity and penalty will be fully paid in cash by Geely Manufacturing within 30 calendar days (or such later date as the parties may agree in writing) upon the issuance of the then valuation report on the Remaining Properties prepared by the third party valuer.

Having considered that (i) it is not foreseen to have material legal impediment for Xi'an Geely to obtain the real estate title certificates of the Remaining Properties once all application materials are prepared and submitted; (ii) the risk of Xi'an Geely being penalized and the Remaining Properties being formally repossessed as a result of the absence of real estate title certificates is low based on the foregoing opinion from the PRC legal adviser; and (iii) the indemnity provided by Geely Manufacturing under the Acquisition Agreement, pursuant to which the Group will be indemnified by Geely Manufacturing for its loss if Xi'an Geely is unable to obtain the real estate title certificates of the Remaining Properties and/or rectify the minor irregularities on or before 31 December 2024. Up to the Latest Practicable Date, Xi'an Geely had not received any rectification or penalties or fines ordered by regulatory authorities regarding the Remaining Properties and other minor irregularities, the Board is of the view that the Remaining Properties' title certificates issue and other minor irregularities would not have a material adverse effect on Xi'an Geely's operations and financial conditions and the indemnity provided by Geely Manufacturing could provide sufficient safeguard to the Group's interest.

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Background information of the Dispute and its status

As set out in the Letter from the Board, Xi'an Geely received the summon served by the Court on 15 February 2023 and certain litigation documents including the Complaints respectively filed by the Contractor and Mr. Zeng against Xi'an Geely relating to the Dispute of the Project.

In November 2017, Xi'an Geely and the Contractor entered into a framework agreement for the Project relating to the construction of Xi'an Geely's manufacturing facilities. The parties further entered into five Project construction sub-contracts for the Project Consideration of approximately RMB296.73 million. The construction of the Project was completed. Xi'an Geely has commenced its formal operation since May 2021. As at the Latest Practicable Date, Xi'an Geely had paid approximately RMB250.39 million to the Contractor in accordance with the sub-contracts, representing approximately 85% of the Project Consideration. Also, Xi'an Geely has made the Provision of RMB44.01 million, representing approximately 15% of the Project Consideration, in its accounting records for the final payment of the Project. The Provision was recorded in trade and other payables of Xi'an Geely as at 30 September 2022.

Xi'an Geely engaged project construction cost appraisal institutions in 2020 and 2021 to perform the Project's cost inspection and a professional project quality inspection institution in 2021 to perform the Project's quality inspection. The Contractor does not agree on the Project's cost inspection results issued by the project construction cost appraisal institutions and only recognizes part of the Project's quality inspection results issued by the professional project quality inspection institution. As at the Latest Practicable Date, Xi'an Geely and the Contractor had not yet reached an agreement. Xi'an Geely withholds the final payment of the Project and the Deposit paid by the Contractor. The Contractor rejects to provide Xi'an Geely certain required documents for applying the real estate title certificates of the Remaining Properties.

The Contractor filed a complaint against Xi'an Geely and demanded Xi'an Geely to pay the remaining Project construction fee together with interest in an aggregated amount of RMB149,505,669. Mr. Zeng filed another complaint against the Contractor and Xi'an Geely, alleging that the Contractor sub-contracted the Project to him, seeking for a total payment of approximately RMB151,549,772 (consisting of the outstanding construction fee payment of RMB142,077,053 and its related interest) from the Contractor and demanding Xi'an Geely to pay the corresponding construction fee to the Contractor. Neither the Contractor nor Mr. Zeng provided any calculation basis and its related evidence to support the above alleged claim amounts.

As at the Latest Practicable Date, Xi'an Geely and the Contractor had not yet finished the reconciliation of the Project's construction fee. The final payment of the Project has not yet been determined and settled. The evidentiary hearing was held by the Court on 21 March 2023 but the date of the first trial was not confirmed as at the Latest Practicable Date.

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Xi'an Geely has been in active discussion with its in-house lawyers for responding to the Complaints and it is also preparing for the coming first trial. According to the Memo, it is advised by the PRC legal adviser that the Dispute and the Complaints would not have a material adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties. If the effective judgement of the Court requires Xi'an Geely to pay the corresponding Project construction fees and interest, Xi'an Geely shall make such payment.

Based on the discussion with the Valuer, the appraised property value of Xi'an Geely is made by using the asset-based approach in accordance with the replacement cost method, which mainly takes into account the market value of the Properties. Therefore, the potential legal proceeding related to the Dispute will not affect the market value of the total assets of Xi'an Geely as at the Valuation Date (i.e. 30 September 2022); but the effective judgement of the Court related to the payment to be made by Xi'an Geely would potentially affect the appraised net asset value of Xi'an Geely, in which Xi'an Geely's assets would remain the same, whereas its liabilities would increase in the event that the payment exceeds the Provision. The appraised value of Xi'an Geely as at 30 September 2022 had taken into account the Provision that was recorded in trade and other payables of Xi'an Geely as at 30 September 2022.

Considering the above, the Board is of the view that the Dispute and the Complaints would not have a material and adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties. Considering that (i) Zhejiang Jirun and Geely Manufacturing further agreed to extend the expiry date of the Indemnity Period to 31 December 2024; (ii) the payment terms under the Acquisition Agreement were amended such that the Remaining Consideration, being 40% of the Consideration, subject to adjustment, will be payable upon the Dispute is fully settled; (iii) in the event that the effective judgement or the court mediation agreement with respect to the Dispute requires Xi'an Geely to make payment exceeding the Provision, such exceeded amount will be deducted from the Remaining Consideration; and (iv) it is advised by the PRC legal adviser that the Dispute and the Complaints would not have a material adverse effect on the production and operation activities of Xi'an Geely carried out on the Remaining Properties, the Board is of the view that there are sufficient measures to safeguard the interests of the Company and the Shareholders as a whole. If the Dispute is adjudicated by the Court or the parties agree to enter into a mediation agreement, upon payment of the corresponding Project construction fees and interest to the Contractor, Xi'an Geely will be able to obtain all required documents from the Contractor and apply for the real estate title certificates of the Remaining Properties.

Our view

We note that Xi'an Geely had made the Provision of approximately RMB44.01 million (representing approximately 15% of the Project Consideration) for the final payment of the Project. Such Provision was recorded in trade and other payables of Xi'an Geely as at 30 September 2022 and was taken into account in the appraised value of Xi'an Geely of approximately RMB382.45 million as at 30 September 2022. The Consideration for the Acquisition of RMB382.45 million was determined with reference to the appraised value of Xi'an Geely.

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We understand that the effective judgement of the Court in respect of the Dispute related to the payment to be made by Xi'an Geely would potentially affect the appraised net asset value of Xi'an Geely, in which Xi'an Geely's assets would remain the same, whereas its liabilities would increase in the event that the payment exceeds the Provision. In order to safeguard the Group's interests against the possibility and possible exposure of payment exceeding the Provision recognised by Xi'an Geely (which would increase the liabilities and reduce the appraised value of Xi'an Geely), we understand that the Group had entered into the Supplemental Agreement to amend the payment terms of the Consideration under the Acquisition Agreement, which stipulates that in the event that Xi'an Geely is required to make payment exceeding the Provision made by Xi'an Geely, Zhejiang Jirun is entitled to automatically deduct such exceeded amount from the Remaining Consideration (the "**Possible Consideration Deduction**").

Taking into account that (i) the Provision (representing approximately 15% of the Project Consideration for the final payment of the Project) was reflected in the appraised value of Xi'an Geely of approximately RMB382.45 million; and (ii) any payment in excess of the Provision (which would increase the liabilities and reduce the appraised value of Xi'an Geely) shall be automatically deducted from the Remaining Consideration in accordance with the Possible Consideration Deduction as stipulated in the Supplemental Agreement, we consider that the possible exposure of payment exceeding the Provision is effectively covered by the Possible Consideration Deduction, which protects the Group's interests as Zhejiang Jirun would pay a lower amount of the Remaining Consideration (as adjusted downwards by any payment in excess of the Provision) for the acquisition of the entire equity interest of Xi'an Geely. Having considered that the Possible Consideration Deduction is an effective mechanism to deduct the Consideration by any excess amount of payment in relation to the Provision, we are of the view that the Possible Consideration Deduction provides sufficient safeguard to the Group's interests in respect of the Dispute and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Fairness and reasonableness of the consideration of the Acquisition

In assessing the fairness and reasonableness of the Consideration of RMB382.45 million, we have relied on the valuation report (the "**Valuation Report**") furnished by an independent professional valuer (the "**Valuer**"). According to the Valuation Report, the appraised value of Xi'an Geely as at 30 September 2022 (the "**Valuation Date**") was approximately RMB382.45 million, details of which are set out in Appendix I to the Circular.

Details of our work performed in relation to the Valuation Report are set out below:

(i) *Suitability and qualification of the Valuer*

We have reviewed the Valuation Report and interviewed the relevant team members of the Valuer with particular attention to: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and experience of the Valuer; and (iii) the steps and due diligence measures taken by the Valuer in performing the valuation in formulating the Valuation Report (the "**Valuation**"). Based on our review of the engagement letter between the

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Company and the Valuer, we are satisfied that the scope of work performed by the Valuer is appropriate to perform the Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer has confirmed that it is independent from the Company, the counterparties of the Acquisition or their respective core connected persons or associates. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation. We also understand that the Valuer mainly conducted its valuation procedures through (i) discussion with the management of Xi'an Geely to understand the operating conditions and the condition of each type of the assets; (ii) obtaining financial statements and breakdown, contracts, certificates and other information of Xi'an Geely; (iii) physical inspection on Xi'an Geely's properties and other non-current assets; and (iv) conducting market research and has relied on public information obtained through market research as well as the information provided by the management of Xi'an Geely.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence and we consider that the Valuer has sufficient expertise and is independent to perform the Valuation.

(ii) Valuation methodology of the Valuation

We understand that the generally accepted valuation approaches include market approach, asset-based approach and income approach. Market approach considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect the condition and utility of the appraised assets relative to the comparable market transactions. Asset-based approach determines the value of the subject by valuing an enterprise's value contribution to the overall assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date. Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for an asset than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent asset with similar risk.

As discussed with the Valuer, the Valuer considers the asset-based approach to be the most appropriate valuation approach for the Valuation over the income approach and the market approach as: (i) the market approach could not be properly performed as there are insufficient comparable public companies with similar business nature, operating region and size principally engaged in manufacturing of CKDs in the automobile industry; (ii) the income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value and such reliable information and projections are difficult to acquire; and (iii) Xi'an Geely belongs to capital-intensive industry and its core assets include properties, land together with production lines. In view of the above, the Valuer has adopted the asset-based approach for the Valuation.

Given the relatively short operation history of Xi'an Geely where most of its production facilities were completed in 2021 and based on our review of the financial information of Xi'an Geely which we note that the majority of its assets are tangible in nature (such as

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property, plant and equipment and inventories) and hence identifiable for valuation purposes, we concur with the view of the Valuer that the adoption of asset-based approach for the Valuation is more appropriate. We are given to understand that under the asset-based approach, the fair value of Xi'an Geely was assessed by the restatement of the net asset book value into fair value as at the Valuation Date.

6.1. The Valuation Report

As set out in the Valuation Report, the appraised value of Xi'an Geely was RMB382.45 million, representing an appreciation in value of approximately RMB242.71 million (or approximately 173.7%) as compared to the net asset value of Xi'an Geely of approximately RMB139.74 million as at the Valuation Date.

The appreciation in value was mainly attributable to the Properties (which comprise land use right and building and structure), which had an appraised value of approximately RMB2,683.52 million, representing an appreciation of approximately RMB245.77 million (or approximately 10.1%) as compared to its book value of approximately RMB2,437.75 million as at the Valuation Date.

Non-current assets

The book value of the non-current assets of Xi'an Geely of approximately RMB2,997.18 million account for approximately 47.4% of the book value of its total assets as at 30 September 2022, and mainly comprise property, plant and equipment of Xi'an Geely, which mainly comprise (i) the Properties with book value of approximately RMB2,437.75 million; and (ii) machinery and equipment with book value of approximately RMB391.07 million.

(i) Properties

The Properties mainly consist of 29 industrial and ancillary buildings and four parcels of land, with a book value of approximately RMB2,437.75 million, comprising the book value of (a) building and structure of approximately RMB2,047.18 million and (b) land use right of approximately RMB390.57 million.

We understand that the Valuer has used a hybrid of the market approach and replacement cost method in assessing the land use rights of the property and the building and structures standing on the land respectively. The aggregate of the two results represents the market value of the property interest as a whole.

In the valuation of the land portion, the Valuer adopted the market comparison approach and made reference to the land price of similar lands of recent market transactions close to the Valuation Date. We have reviewed the underlying information of the Valuer and note that the lands of the recent market transactions were situated within the locality of the Properties, and such market

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transactions were conducted in August and September 2022, being close to the Valuation Date. The appraised value of the land use right of Xi'an Geely was approximately RMB617.86 million, representing an appreciation in value of approximately RMB227.29 million (or approximately 58.2%), as compared to the carrying value of land use right of approximately RMB390.57 million as at the Valuation Date.

The replacement cost method was adopted by the Valuer for the appraisal for the buildings and structures. Under the replacement cost method, the appraised value of buildings and structures was determined by calculating the full replacement price based on the construction work volume of the building structures and the existing fixed standards or pricing regulations and construction fees, and a residue ratio based on the useful life and on-site survey of the buildings. The appraised value of the building and structures of Xi'an Geely was approximately RMB2,065.66 million, representing an appreciation in value of approximately RMB18.48 million (or approximately 0.9%), as compared to the carrying value of the building and structures of approximately RMB2,047.18 million as at the Valuation Date.

As set out the Valuation Report, the aggregate appraised value of the Properties (comprising land use right and building and structure) amounted to approximately RMB2,683.52 million, representing an appreciation of approximately RMB245.77 million (or approximately 10.1%) as compared to its book value of approximately RMB2,437.75 million as at the Valuation Date.

(ii) Machinery and equipment

Based on the Valuation Report, we understand that for machinery and equipment of Xi'an Geely that have an active secondary market (such as vehicles), the market comparison approach was adopted to appraise the value of the machinery and equipment, which considered the prices recently paid for similar assets. In respect of other machinery and equipment of Xi'an Geely that do not have an active secondary market (such as custom equipment), the replacement cost method was adopted to determine the fair value of such machinery, where an estimate is made on the cost of replacement, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, rebuilding history and utilisation.

The appraised value of the machinery and equipment of Xi'an Geely was approximately RMB388.56 million, representing a slight depreciation of approximately RMB2.5 million (or approximately 0.6%) as compared to the book value of approximately RMB391.07 million as at the Valuation Date.

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Overall, the appraised value of the non-current assets of Xi'an Geely was approximately RMB3,240.45 million, representing an appreciation of approximately RMB243.27 million (or approximately 8.1%) as compared to the book value of approximately RMB2,997.18 million as at the Valuation Date.

Current assets

The book value of the current assets of Xi'an Geely of approximately RMB3,323.80 million account for approximately 52.6% of the book value of its total assets as at 30 September 2022, and mainly comprise (i) trade and other receivables of approximately RMB2,450.84 million; and (ii) inventories of approximately RMB688.48 million.

We understand from the Valuer that the trade and other receivables of Xi'an Geely are collectible and involved no adjustment, with its appraised value equivalent to its book value of approximately RMB2,450.84 million. In respect of inventories, we understand from the Valuer that the fair value of the held for sale inventories were derived by multiplying their quantities with the corresponding market prices and minus corresponding taxes and fees. For other inventories, which mainly included raw materials that were purchased within one year from the Valuation Date with relatively stable market prices in the period, the appraised value of such inventories is equivalent to book value. The appraised value of inventories amounted to approximately RMB687.91 million as at the Valuation Date, representing a slight decrease of approximately RMB0.57 million as compared to its carrying value of approximately RMB688.48 million.

Overall, the appraised value of the current assets of Xi'an Geely was approximately RMB3,323.24 million, which is similar (representing a slight decrease of approximately 0.02%) to the book value of current assets of approximately RMB3,323.80 million as at the Valuation Date.

Liabilities

The liabilities of Xi'an Geely comprise trade and other payables of approximately RMB5,824.93 million and deferred government grant of approximately RMB356.31 million. Based on the Valuation Report, the book value of all payables and liabilities reflect the current value. As such, the appraised values of liabilities are equivalent to their respective book values as at the Valuation Date in an aggregate amount of approximately RMB6,181.24 million.

Our view

Based on the above and having considered that (i) the Valuer is qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently; (ii) the adoption of asset-based approach for the Valuations is fair and reasonable; and (iii) methodologies so applied on assessing the assets and liabilities of

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Xi'an Geely are fair and reasonable, we concur with the view of the Directors that the Valuation Report is an appropriate reference in determining the Consideration, which made reference and is equivalent to the appraised value of Xi'an Geely as at the Valuation Date, is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Acquisition

7.1. Overall accounting presentation

Upon completion of the Acquisition, Xi'an Geely will become a subsidiary of the Company and the financial results of Xi'an Geely will be consolidated into the consolidated financial statements of the Group.

7.2. Earnings

Upon completion of the Acquisition, the financial results of Xi'an Geely 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 income statement is expected to be resulted from the Acquisition. Based on the results announcement of the Company for FY2022, the Group recorded net profit of approximately RMB4,649.7 million for FY2022, whilst Xi'an Geely recorded profit after taxation of approximately RMB128.0 million for the nine months ended 30 September 2022.

7.3. Net assets

Based on the results announcement of the Company for FY2022, the net asset value of the Group was approximately RMB76,195.8 million as at 31 December 2022. As confirmed by management of the Company, as the Consideration approximates the fair value of the net assets of Xi'an Geely, it is expected that the Acquisition would not have material impact on the net asset value of the Group upon completion of the Acquisition.

7.4. Cash flow

Since the Consideration of RMB382.45 million will be satisfied by cash by the Group, the cash level of the Group will decrease immediately upon completion of the Acquisition. Given the Group's bank balances and cash of approximately RMB33,341.3 million as at 31 December 2022 according to the results announcement of the Company for FY2022, and based on the assumption that there is no material adverse change in such position since 31 December 2022, 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 Acquisition.

It should be noted that the analysis above is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon completion of the Acquisition.

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8. Continuing Connected Transactions

After the completion of the Acquisition, Xi'an Geely will continue to manufacture and sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group. Such transactions will become continuing connected transactions for the Company.

8.1. The CKDs and Automobile Components Sales Agreement

On 12 December 2022, the Company entered into the CKDs and Automobile Components Sales Agreement with Geely Holding for a term from the completion date of the Acquisition to 31 December 2025.

Major terms of the CKDs and Automobile Components Sales Agreement are set out below:

Date

12 December 2022 (after trading hours)

Parties

Vendor: The Company
Purchaser: Geely Holding

Term

The CKDs and Automobile Components Sales Agreement has a term from the completion date of the Acquisition to 31 December 2025.

Subject matter

Pursuant to the CKDs and Automobile Components Sales Agreement, it was conditionally agreed that the Group will sell CKDs and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group.

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

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Conditions precedent

The CKDs and Automobile Components Sales Agreement is subject to the Company having completed the Acquisition and complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the CKDs and Automobile Components Sales Agreement. If the above conditions have not been fulfilled on or before 30 June 2023 (or such later date as the parties may agree in writing), the CKDs and Automobile Components Sales Agreement will lapse.

Termination

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

Pricing basis

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

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

The margin rates will be determined by the Company and Geely Holding after arm's length negotiation with reference to the range between the lower quartile and the upper quartile of the three-year weighted average cost-plus-margins of comparable companies producing similar products as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. According to the transfer pricing analysis report furnished by a multinational accounting firm issued on 25 November 2022 (the "**Supply Pricing Analysis Report**"), the margin rates are applicable to the direct material costs and the overheads other than direct material costs respectively. Such margin rates are only for the purpose of calculating the proposed annual caps and may be changed from time to time and shall not be deemed to be the fixed rate for the transactions throughout the term of the CKDs and Automobile Components Sales Agreement. It is impracticable to obtain price quotation of comparable CKDs and automobile components for similar vehicle models of different vehicle brand due to different technology and production

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process for the CKDs and automobile components and price competition among competitors. Therefore, the pricing basis under the CKDs and Automobile Components Sales Agreement will be based on cost-plus basis.

Internal control measures

In order to ensure that the aforesaid pricing basis for the CKDs and Automobile Components Sales Agreement is adhered to, the finance department of the Company will monitor the relevant manufacturing costs and overhead costs to ensure that the selling price of such CKDs and automobile components are determined properly. The finance department of the Company would review the relevant manufacturing costs and overhead costs on a quarterly basis to ensure the relevant cost incurred are accurately accounted for. The finance department and legal department of the Company and Geely Holding will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. The Company and Geely Holding will determine the margin rate with reference to a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. The finance department of the Company and Geely Holding will review the scope of the CKDs and automobile components to be sold by the Group to the Geely Holding Group on yearly basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis report shall be obtained for the determination of the margin rate. The tax department of the Company would coordinate and obtain an updated transfer pricing analysis report when it is determined necessary to obtain an updated one. The margin rate will be determined with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margins of the comparable companies as stated in such updated transfer pricing analysis report.

8.2. *Reasons for and benefits of entering into the CKDs and Automobile Components Sales Agreement*

As set out in the Letter from the Board, Xi'an Geely is engaged in the manufacture and sale of CKDs and automobile parts and components in the PRC. Currently, Xi'an Geely is mainly engaged in the manufacturing of the CKDs and automobile components in relation to the Geely-branded vehicles including the Geely-branded SUV Models. The technologies used for assembling the CKDs and automobile components of Geely-branded SUV Models and smart-branded vehicles are substantially different from each other as the pure electric vehicles adopt a different assembly process compared to non-pure electric vehicles. Given the sufficient production capacity reserved by Xi'an Geely for the manufacturing of CKDs and automobile components of the Geely-branded SUV Models which adopt a different assembly process, the manufacture of the CKDs and automobile components of smart-branded vehicles is not expected to occupy the production capacity of the Geely-branded SUV Models. Therefore, it is expected that the manufacture and sale of smart-branded vehicles to the Geely Holding Group pursuant to the CKDs and Automobile Components Sales Agreement will not have material adverse impact on the manufacture and sale of the Geely-branded SUV Models.

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The utilization rate of the manufacturing facilities of Xi'an Geely is expected to increase after more smart-branded vehicles start to deliver in 2023. Moreover, the Group will benefit from broadening the income stream by selling smart-branded vehicles to the Geely Holding Group.

Our view

Taking into account the above, we consider the entering into of the CKDs and Automobile Components Sales Agreement is within the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

8.3. Fairness and reasonableness of the proposed annual caps

The table below sets out the proposed CKDs and Automobile Components Sales Annual Caps in relation to the vehicle models including smart-branded vehicles. After the commencement of the CKDs and Automobile Components Sales Agreement, the Group will manufacture the CKDs and automobile components for use in the smart-branded vehicles according to the instruction of the Geely Holding Group. The CKDs and automobile components in relation to the smart-branded vehicles to be procured by the Geely Holding Group will be further sold to the smart Group for the manufacture and sales of the smart-branded vehicles.

	Proposed annual caps		
	for the year ending 31 December		
	2023	2024	2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Sales of CKDs and automobile components by the Group to the Geely Holding Group	25,090.2	34,109.6	30,861.0

As set out in the Letter from the Board, the proposed CKDs and Automobile Components Sales Annual Caps were determined with reference to:

- (i) the estimated number of units of CKDs and automobile components in relation to the smart-branded vehicles to be sold by the Group to the Geely Holding Group, which in turn was determined based on the projected unit sales of the smart-branded vehicles (including existing smart-branded vehicles and the new model of smart-branded vehicles which is expected to be launched in 2023) for the three years ending 31 December 2025;

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- (ii) the estimated costs of manufacturing CKDs and automobile components in relation to the existing and the upcoming vehicle model of smart-branded vehicles (including but not limited to the material costs, labour costs and overhead costs) and the related taxes for the three years ending 31 December 2025; and
- (iii) the margin rates over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Supply Pricing Analysis Report.

As set out in the Letter from the Board, the increase in the CKDs and Automobile Components Sales Annual Caps for the year ending 31 December 2024 is primarily due to (i) the new vehicle model of smart-branded vehicle is expected to be launched during 2023; and (ii) the sales volume of that model is expected to increase in 2024 compared to the sales volume in 2023. The decrease in the CKDs and Automobile Components Sales Annual Caps for the year ending 31 December 2025 is primarily due to the expected decrease in the sales volume of the smart-branded vehicles after reaching the peak sales volume in 2024.

In assessing the fairness and reasonableness of the CKDs and Automobile Components Sales Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (i) the cost components and the estimated manufacturing cost of the relevant CKDs and automobile components for the smart-branded vehicle models; (ii) projected sales volume of the smart-branded vehicle models to be equipped with the CKDs and automobile components for the three years ending 31 December 2025; and (iii) the Supply Pricing Analysis Report.

From our review of the aforesaid documents and discussion with the management of the Company, we have taken into consideration the following in assessing the fairness and reasonableness of the CKDs and Automobile Components Sales Annual Caps:

- the cost schedule of the relevant CKDs and automobile components comprises the cost components including raw materials, direct labour, manufacturing overhead, administration expenses in determining the unit prices of the relevant CKDs and automobile components;
- the projected sales volume of the smart-branded vehicle models to be equipped with the CKDs and the automobile components for each of the three years ending 31 December 2025 was estimated after taking into account the sales volume targets, the life cycle curve and the product life for each vehicle model, which we note from the underlying calculations that the increase in the CKDs and Automobile Components Sales Annual Caps for the year ending 31 December 2024 is mainly due to the increase in the projected sales volume attributable to the new smart-branded vehicle model expected to be launched during 2023, whilst the decrease in the CKDs and Automobile Components Sales Annual Caps

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for the year ending 31 December 2025 is mainly due to the decrease in projected sales volume of smart-branded vehicles after reaching expected peak sales cycle in 2024;

- the margin rates adopted by the Group in calculating the unit prices of the relevant CKDs and automobile components for the three years ending 31 December 2025 were equivalent to the reference margin rates set out in the Supply Pricing Analysis Report (as elaborated below).

Pursuant to the pricing term stipulated in the CKDs and Automobile Components Sales Agreement, when estimating the annual caps for the three years ending 31 December 2025, the margin rates in calculating the unit prices of the relevant CKDs and automobile components were adopted by the Group with reference to the range between the lower quartile and the upper quartile of the three-year weighted average cost-plus-margins of comparable companies producing similar products as set out in the Supply Pricing Analysis Report.

Based on our review of the underlying calculations, the Group has adopted (i) a margin rate for direct material costs (the “**Direct Material Margin Rate**”); and (ii) a margin rate for overheads other than direct material costs (the “**Overheads Margin Rate**”). Based on our review of the Supply Pricing Analysis Report furnished by a multinational accounting firm (the “**Independent CPA**”) issued on 25 November 2022, we noted that the Independent CPA has distinguished the contract manufacturing process of Xi’an Geely into procurement activities and production and assembly activities, and identified (a) 12 comparable companies principally engaged in procurement activities relating to raw material components (the “**Relevant Raw Material Companies**”), to reflect the margins relating to the procurement activities in the contract manufacturing process (which involve raw material cost component); and (b) 5 comparable companies principally engaged in the manufacturing of vehicles and automobile components (the “**Relevant Vehicle Manufacturing Companies**”), to reflect the margins relating to the production and assembly activities in the contract manufacturing process (which involve other cost components such as direct labour and manufacturing overhead etc.). As referred to in the Supply Pricing Analysis Report, the respective weighted average cost-plus margins of the Relevant Raw Material Companies and the Relevant Vehicle Manufacturing Companies were computed based on their respective financial information for the three consecutive years preceding the effective date of the Supply Pricing Analysis Report. We note that the Direct Material Margin Rate adopted in the underlying calculations was equivalent to the median of the weighted average cost-plus margins of the Relevant Raw Material Companies, whilst the Overheads Margin Rate adopted in the underlying calculations was equivalent to the median of the weighted average cost-plus margins of the Relevant Vehicle Manufacturing Companies.

Our view

Based on the above, we concur with the Director’s view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the CKDs and Automobile Components Sales Annual Caps at the proposed levels. However, as the CKDs and Automobile Components Sales Annual Caps relate to future

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events and are based on assumptions that may or may not remain valid for the whole period up to 31 December 2025, we express no opinion as to how closely the Continuing Connected Transactions shall correspond to the CKDs and Automobile Components Sales Annual Caps.

9. Requirements by the Listing Rules regarding the Continuing Connected Transactions

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

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

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

CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (a) the Acquisition (i) will enable the Group to manufacture the Geely-branded SUV Models on its own and reduce the reliance on the Geely Holding Group in this regard and save costs of paying cost-plus-margin fees to the Geely Holding Group; (ii) will help the Group centralise the manufacturing function by its own manufacturing facilities in the long run; and (iii) is a more cost-effective way for the Group to manufacture the Geely-branded SUV Models through the manufacturing facilities of Xi'an Geely instead of building a new manufacturing plant;
- (b) based on our independent work performed on the Valuation Report (which forms the basis of the Consideration), we are satisfied with the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted in the Valuation Report, and hence we consider the Consideration is fair and reasonable;
- (c) the key terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement to extend the expiry date of the Indemnity Period and amend the payment terms of the Consideration) represent normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (d) the entering into of the CKDs and Automobile Components Sales Agreement and the Continuing Connected Transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms thereof are normal commercial terms or better and fair and reasonable; and
- (e) the proposed CKDs and Automobile Components Sales Annual Caps in respect of the Continuing Connected Transactions contemplated under the CKDs and Automobile Components Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole,

we consider that (i) while the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Acquisition (as supplemented by the Supplemental Agreement) are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the Acquisition Agreement (together with the Supplemental Agreement) is in the interests of the Company and

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the Shareholders as a whole, and (iii) the entering into of the CKDs and Automobile Components Sales Agreement and the Continuing Connected Transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the terms thereof are normal commercial terms or better and fair and reasonable, and the annual caps thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Acquisition (including the Acquisition Agreement) and the Continuing Connected Transactions (including the CKDs and Automobile Components Sales Agreement and the CKDs and Automobile Components Sales Annual Caps).

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Alex Lau **Colin Lee**
Managing Director *Director*

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent professional valuer, in connection with its valuation as at 30 September 2022 of the market value of 100% equity interest of Xi'an Geely Automobile Company Limited.



Asia-Pacific Consulting and Appraisal Limited

Flat/RM A 12/F Kiu Fu Commercial Bldg,
300 Lockhart Road,
Wan Chai, Hong Kong

6 April 2023

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

Dear Sirs,

In accordance with the instructions received from Geely Automobile Holdings Limited (the “**Company**”), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited (“**APA**”) to express an independent opinion on the market value of 100% equity of Xi’an Geely Automobile Company Limited (“**Xi’an Geely**”) as at 30 September 2022 (the “**Valuation Date**”).

The purpose of this valuation is for circular reference of the Company.

Our valuation was carried out on a market value basis which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

INTRODUCTION

Xi’an Geely was incorporated in China in August 2017. Xi’an Geely engaged in the manufacture and sale of CKDs, automobile parts and components in the PRC and operated its plant in Xi’an. Xi’an Geely started to construct the plant in 2019 and the most production facilities was completed in 2021 and entered the trial production stage. The plant produces according to the production order. As at the Valuation Date, there were some production equipment and facilities still under construction and installation.

According to the financial statements, Xi'an Geely reported a book value of the total assets of RMB6.32 billion, and the book value of net asset was RMB0.14 billion as at 30 September 2022.

As at the Valuation Date, the total assets and net assets of Xi'an Geely are as follows:

	Book value
	<i>RMB'000</i>
	Unaudited
Property, plant and equipment	2,950,340
Deferred tax assets	46,837
Non-current assets	2,997,177
Inventories	688,475
Trade and other receivables	2,450,836
Bills receivables	112,875
Bank balances and cash	71,617
Current assets	3,323,803
Trade and other payables	5,824,927
Current liabilities	5,824,927
Deferred government grant	356,311
Non-current liabilities	356,311
Total Net Asset	139,742

VALUATION METHODOLOGY

There are three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Asset-based approach refers to the valuation methodology to determine the value of the subject of valuation on a reasonable basis by valuing an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the characteristics of Xi'an Geely, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but given the situation of Xi'an Geely, which started plant operation in 2021 with short operation history and will put into new production in 2023, with uncertainty of future order quantity, it is very difficult to form a reliable projection of Xi'an Geely's future cash flows as at the Valuation Date. Secondly, as Xi'an Geely is a CKDs manufacturer rather than a branded vehicle manufacturer, there is no sufficient public companies or market transactions which are similar in business nature, operating region and size, identified as comparables as at the Valuation Date. In addition, Xi'an Geely belongs to capital-intensive industry and the core assets are properties, land together with production lines. In view of the above, we have adopted the asset-based approach for the valuation.

In this valuation exercise, we conducted the valuation on Xi'an Geely's on-balance-sheet assets and liabilities to calculate the market value of net asset of Xi'an Geely.

In this report, we had considered the type of assets and liabilities and their conditions when determining their market values and adopted appropriate valuation methodology for depending on the type of assets and liabilities. The details are summarized as follows:

Bank balances and cash

Based on book values checking with bank statements.

Inventories

Inventories are mainly assets which are held for sale product in the ordinary course of business, materials or supplies to be consumed in the production process. The fair value of the held for sale inventory were derived by multiplying their quantities with their corresponding market prices and minus the corresponding taxes and fees. According to the information provided by the management, the other various inventories, mainly raw material, were purchased within one year as at the Valuation Date, and the market price of those assets are stable in the period. In this exercise, the market value of the other various inventories, is determined based on the book value.

Property and equipment, Intangible assets-software

Property and equipment include buildings assets and equipment assets.

(1) Buildings and Structures

The replacement cost method was adopted for the appraisal of the buildings and structures. Under the replacement cost method, the appraised value of buildings and structures determined by calculating the full replacement price based on the construction work volume of the buildings and structures and the existing fixed standards or pricing regulations, construction fees and loan interest rates according to the information on construction work and the information on completion and settlement, and then determined the residue ratio based on the useful life of buildings and the on-site survey of buildings.

(2) Machinery and Equipment, intangible assets- software

For some vehicles, where an active secondary market exists, the market comparison approach was adopted. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised vehicles relative to the market comparative.

For other machinery and equipment and software without an active secondary market, in accordance with the principle of continuous use and based on the market price as at the Valuation Date, the replacement cost method was adopted to determine the fair value of these machinery and equipment in this valuation, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

Intangible assets- Land use right

In view of the subject of valuation, types of values, purposes of valuation of this valuation and the information collected by the valuer, the market comparison approach was selected for land use rights in this valuation. Under the market comparison approach, the subject land was compared against similar land properties in recent market transactions close to the Valuation Date which can replace the subject land based on the market substitution principle, with appropriate revisions made to the transaction price of similar land properties, in order to estimate the objective and reasonable price of the subject land.

Construction in progress

We checked the contracts and other information on site, conducted inquiries and on-site verification with the relevant personnel, and confirmed that the progress and actual payment of the construction in progress subject to valuation were in line with the book value, which basically reflects the acquisition and construction costs on the valuation date.

Other assets and liabilities

Other assets of Xi'an Geely consist trade and other receivables, bills receivables, development expenditure, long term deferred expenses, right of use assets and deferred tax assets. The liabilities of Xi'an Geely mainly consist trade and other payables and deferred government grant.

We valued other assets and liabilities based on book values, together with checking, by inquiry and confirmation, calculation and recheck the relevant account books, original documents and other informations.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council and the RICS Valuation-Global Standards issued by the Royal Institution of Chartered Surveyors. The valuation procedures employed include a review of economic condition of Xi'an Geely and an assessment of key assumptions, estimates, and representations made by Xi'an Geely. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- the economic outlook in general;
- the nature of business and historical financial performance of Xi'an Geely;
- financial and business risk of the business including continuity of income and the projected future results;
- consideration and analysis on the micro and macro economy affecting the subject business; and
- other operational and market information in relation to Xi'an Geely's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the market value of the net assets of Xi'an Geely.

VALUATION ASSUMPTIONS

In determining the market value of net asset of Xi'an Geely, we made the following assumptions:

- all relevant legal approvals and business certificates or licenses to operate the business in which Xi'an Geely operates or intends to operate have been or would be officially obtained and renewable upon expiry.
- there will be no major change in the political, legal, economic and social environment in which Xi'an Geely operates or intends to operate;
- interest rates and exchange rates in the localities for the operation of Xi'an Geely will not differ materially from those presently prevailing;
- it is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- the financial and operational information provided by Xi'an Geely accurate and reliable;
- there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;
- the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of Xi'an Geely through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;
- it is assumed the continuation of prudent management of Xi'an Geely over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;
- Xi'an Geely will successfully carry out all necessary activities for the development of its business as a going concern;
- key management, competent personnel and technical staff to support the ongoing operations of Xi'an Geely;
- the competitive advantages and disadvantages of Xi'an Geely do not change significantly during the period under consideration; and
- for the buildings of the property which have not been provided with Real Estate Title Certificate, we have valued the properties on the assumption that the properties can be freely transferred or disposed without payment of any further land premium, construction cost, penalty or transfer fees.

VALUATION COMMENT

As at the Valuation Date, there was no lawsuit against Xi'an Geely observed, and the conclusion of value is based on this situation as at the Valuation Date. On 15 February 2023, Xi'an Geely received a summon relating to construction of facilities payment dispute. The potential legal proceeding related to the dispute would potentially affect the liability of Xi'an Geely consequently, the market value of 100% equity interest of Xi'an Geely would potentially be affected as well.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Xi'an Geely and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Xi'an Geely over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our limiting conditions.

CALCULATION OF VALUATION RESULT

The calculation of the market value of net asset of Xi'an Geely as at the Valuation Date is as follows:

	Book Value (Based on financial statements of Xi'an Geely as at 30 September 2022) RMB'000	Market Value as at 30 September 2022 RMB'000	
Property, plant and equipment	2,950,340	3,193,612	
– <i>Building and structure (Appendix A)</i>	2,047,182	2,065,658	
– <i>Machinery</i>	370,247	368,690	
– <i>Motor vehicle</i>	599	581	
– <i>Office equipment</i>	20,228	19,292	
– <i>Construction in progress</i>	105,148	105,148	
– <i>Right-of-use assets</i>	4,714	4,714	
– <i>Land use right (Appendix A)</i>	390,567	617,860	
– <i>Software</i>	1,807	1,821	
– <i>Development expenditure</i>	6,135	6,135	
– <i>Long deferred expenses</i>	3,713	3,713	
Deferred tax assets	46,837	46,837	
Total Non-current assets	2,997,177	3,240,449	(a)
Inventories	688,475	687,911	
– <i>Finished products</i>	91,679	91,115	
– <i>Materials</i>	596,796	596,796	
Trade and other receivables	2,450,836	2,450,836	
Bills receivables	112,875	112,875	
Bank balances and cash	71,617	71,617	
Total Current assets	3,323,803	3,323,239	(b)
Trade and other payables	5,824,927	5,824,927	
Total Current liabilities	5,824,927	5,824,927	(c)
Deferred government grant	356,311	356,311	
Total Non-current liabilities	356,311	356,311	(d)
Net Asset	139,742	382,450	(e)=(a)+(b)-(c)-(d)

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest of Xi'an Geely as at the Valuation Date is reasonably stated approximately at the amount of RMB382,450,000 (**RENMINBI THREE HUNDRED AND EIGHTY TWO MILLION FOUR HUNDRED AND FIFTY THOUSAND YUAN**).

On 15 February 2023, Xi'an Geely received the summon served by the People's Court of Xi'an Gaoling District and certain litigation documents including two civil complaints against Xi'an Geely relating to the payment dispute over the construction of Xi'an Geely's manufacturing facilities. The potential legal proceeding related to the dispute will not affect the market value of the total assets of Xi'an Geely as at the 30 September 2022; but the effective judgement of the court related to the payment to be made by Xi'an Geely would potentially affect the appraised net asset value of Xi'an Geely, in which Xi'an Geely's assets would remain the same, whereas its liabilities would increase in the event that the payment exceeds the Provision.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li
CFA, MRICS, MBA
Partner

David G.D. Cheng
MRICS
Partner

Note: Jack W. J. Li is a Chartered Surveyor who has 16 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

David G.D. Cheng is a Chartered Surveyor who has 21 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

APPENDIX A:

The valuation certificate of the property interests held by Xi'an Geely

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date <i>RMB'000</i>
1.	4 parcels of land, 29 buildings and various structures in Jingwei Xincheng Industrial Base, Gaoling District, Xi'an City, Shaanxi Province, the PRC	<p>The property comprises 4 parcels of land with a site area of approximately 1,506,974.57 sq.m., 29 buildings and various structures erected thereon which were completed in 2021 and 2022.</p> <p>The 29 buildings have a total gross floor area of approximately 694,164.88 sq.m., mainly include plants, office buildings, warehouses, canteen, dormitory and ancillary buildings.</p> <p>The structures mainly include gates, boundary walls, roads and ancillary facilities.</p> <p>The land use rights of the property have been granted to Xi'an Geely for terms expiring on 5 October 2067, 5 October 2067, 6 October 2068 and 1 May 2069 respectively for industry use.</p>	The property is currently occupied by Xi'an Geely for production and ancillary purposes.	2,683,518

Notes:

1. Pursuant to 4 Real Estate Title Certificates (for land only) – Shan (2017) Xi'an Shi Gao Ling Qu Bu Dong Chan Quan Di Nos. 0000051 and 0000052, Shan (2018) Gao Ling Qu Bu Dong Chan Quan Di No. 0018300 and Shan (2019) Gao Ling Qu Bu Dong Chan Quan Di No. 0007491, the land use rights of 4 parcels of land with a total site area of approximately 1,506,974.57 sq.m. have been granted to Xi'an Geely Automobile Company Limited (Xi'an Geely) for terms expiring on 5 October 2067, 5 October 2067, 6 October 2068 and 1 May 2069 respectively for industry use.
2. Pursuant to 2 Construction Work Planning Permits – Xi Jing Kai Jian Zi Di No. (2019) 025 and Jian Zi Di 610112202230210JK in favour of Xi'an Geely, various buildings with a total gross floor area of approximately 712,201.32 sq.m. has been approved for construction.

3. Pursuant to 4 Construction Work Commencement Permits – Nos. 610131201906280101, 610131201906280201, 610131201906280301, 610131202210280101 in favour of Xi'an Geely, permission by the relevant local authority was given to commence the construction work of various buildings with a total gross floor area of approximately 712,201.32 sq.m.
4. Pursuant to 7 Construction Work Completion and Inspection certificates in favour of Xi'an Geely, the construction of 7 buildings with a total gross floor area of approximately 255,113.76 sq.m. has been completed and passed the inspection acceptance.
5. Pursuant to a Real Estate Title Certificate – Shan (2012) Gao Ling Qu Bu Dong Chan Quan Di No. 0023821, 2 buildings with a total gross floor area of approximately 201,774.72 sq.m. are owned by Xi'an Geely.
6. For the remaining 27 buildings with a total gross floor area of approximately 492,390.16 sq.m., we have not been provided with the Real Estate Title Certificates. As advised by Xi'an Geely, Xi'an Geely is in process of applying for the relevant title certificates.
7. The total market value RMB2,683,518,000 consists of market value of land use rights RMB617,860,000 and depreciated replacement cost of buildings and structures RMB2,065,658,000.
8. All of the three selected comparable parcels of land are industry land within the locality which have the similar location, infrastructure and plot ratio as the subject land of the property. The unit prices of these comparable parcels of land range from RMB410 to RMB433 per sq.m. Appropriate adjustments and analysis are considered to account for the differences in several aspects including transaction date, site area, accessibility and other characters between the comparable properties and the subject land of the property to arrive at our assumed accommodation value. The general basis of adjustment is that if the comparable property is superior to the land of the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the land of the property, an upward adjustment is made. Details of the three comparable parcels of land and adjustments are set out below, the list of the comparable parcels of land is exhaustive based on the above selection criteria as at the time we performed the valuation of the land of the property.

Comparable:	A	B	C
Transaction Unit Price (RMB/sq.m.)	410	433	414
Location	Jingwei Xincheng Industrial Base	Jingwei Xincheng Industrial Base	Jingwei Xincheng Industrial Base
Usage	Industry	Industry	Industry
Transaction date	September 2022	August 2022	August 2022
Transaction situation	Listing	Listing	Listing
Nature of land use rights	Granted	Granted	Granted
Land use term (years)	50	50	50
Plot ratio	≤2	≤1.5	≤2
Site area (sq.m.)	20,413.97	131,941.85	115,433.38
Adjustment factors:			
Location	Similar with the property	Similar with the property	Similar with the property
Usage	Similar with the property	Similar with the property	Similar with the property
Transaction date	Similar with the property	Similar with the property	Similar with the property
Transaction situation	Similar with the property	Similar with the property	Similar with the property
Nature of land use rights	Similar with the property	Similar with the property	Similar with the property
Land use term (years)	Similar with the property	Similar with the property	Similar with the property
Plot ratio	Similar with the property	Similar with the property	Similar with the property
Site area (sq.m.)	Superior to the property	Superior to the property	Superior to the property
Total adjustment	2%	2%	2%
Adjusted Unit Price (RMB/sq.m.)	402	425	406

Based on the analysis of the three comparable parcels of land, the adjusted average accommodation value for the market value of the land of the property is approximately RMB410 per sq.m.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, *inter alia*, the following:
- a) Xi'an Geely legally held the land use rights of the property and the ownership of the buildings mentioned in notes 1 and 5.
 - b) Xi'an Geely has obtained the relevant construction work planning permits and construction work commencement permits of the property.
 - c) The property is not mortgaged or sealed.
 - d) In the case that the relevant application materials are fully prepared, there is no substantive legal obstacle for Xi'an Geely to obtain the Real Estate Title Certificates of the buildings mentioned in note 6.

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
		Long position	Short position	percentage of shareholding (%)
Shares				
Mr. Li (<i>Note 1</i>)	Interest in controlled corporations	4,215,888,000	–	41.92
Mr. Li	Personal	23,140,000	–	0.23
Mr. Li Dong Hui, Daniel	Personal	5,004,000	–	0.05
Mr. Gui Sheng Yue	Personal	17,877,000	–	0.18
Mr. An Cong Hui	Personal	7,876,000	–	0.08
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Gan Jia Yue	Personal	2,230,200	–	0.02
Mr. Wang Yang	Personal	1,000,000	–	0.01

Note:

- Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold securities’ interest of 4,215,888,000 shares (excluding those held directly by Mr. Li), representing approximately 41.92% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited and as to 21.29% by Geely Group Limited.

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

Share Options/Share Awards

Name of Director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	Short position	(%)
Mr. Gui Sheng Yue	Personal	13,500,000 (<i>Note 1</i>)	–	0.13
Mr. Li Dong Hui, Daniel	Personal	14,000,000 (<i>Note 1</i>)	–	0.14
Mr. An Cong Hui	Personal	22,000,000 (<i>Note 1</i>)	–	0.22
Mr. Ang Siu Lun, Lawrence	Personal	3,000,000 (<i>Note 1</i>)	–	0.03
Ms. Wei Mei	Personal	7,000,000 (<i>Note 1</i>)	–	0.07
Mr. Gan Jia Yue	Personal	8,000,000 (<i>Note 1</i>)	–	0.08
Mr. Gan Jia Yue	Personal	4,200,000 (<i>Note 2</i>)	–	0.04

Note:

- The interest relates to share options granted on 15 January 2021 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$32.70 for each Share during the period from 15 January 2023 to 14 January 2028. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised was the same as that as at the Latest Practicable Date.
- The interest relates to the restricted share awards of the Company (which were unvested share awards granted under the share award scheme of the Company adopted on 30 August 2021), representing 0.04% of the issued share capital of the Company as at the Latest Practicable Date.

(iii) *Interests and short positions in the securities of the associated corporations of the Company*

Name of Director	Name of the associated corporations	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Proper Glory Holding Inc.	8,929 <i>(Note 1)</i>	–	89.29
Mr. Li	Geely Group Limited	50,000	–	100
Mr. Li	Zhejiang Geely Holding Group Company Limited	RMB938,074,545 <i>(Note 2)</i>	–	91.08
Mr. Li	Zhejiang Geely Automobile Company Limited	RMB2,069,907,337 <i>(Note 3)</i>	–	72.40
Mr. Li	Shanghai Maple Automobile Company Limited	RMB240,000,000 <i>(Note 4)</i>	–	100
Mr. Li	Zhejiang Haoqing Automobile Manufacturing Company Limited	RMB3,530,000,000 <i>(Note 5)</i>	–	91.08
Mr. Li	Zhejiang Jirun Automobile Company Limited	US\$7,900,000 <i>(Note 6)</i>	–	1
Mr. Li	Hunan Geely Automobile Components Company Limited	US\$885,000 <i>(Note 7)</i>	–	1
Mr. Li	ZEEKR Intelligent Technology Holding Limited	RMB522,000,000 <i>(Note 8)</i>	–	22.93
Mr. An Cong Hui	ZEEKR Intelligent Technology Holding Limited	RMB68,000,000 <i>(Note 9)</i>	–	2.99
Mr. Li Dong Hui, Daniel	ZEEKR Intelligent Technology Holding Limited	RMB20,000,000 <i>(Note 10)</i>	–	0.88
Mr. Gui Sheng Yue	ZEEKR Intelligent Technology Holding Limited	RMB10,000,000 <i>(Note 11)</i>	–	0.44
Ms. Wei Mei	ZEEKR Intelligent Technology Holding Limited	RMB5,800,000 <i>(Note 12)</i>	–	0.25
Mr. Gan Jia Yue	ZEEKR Intelligent Technology Holding Limited	RMB4,000,000 <i>(Note 13)</i>	–	0.18

Notes:

1. Proper Glory Holding Inc. is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and as to 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Li. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
2. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
3. Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) is a limited liability company incorporated in the PRC and is owned as to 72.40% by Geely Holding, as to 1.61% by other Mr. Li’s interested entities and as to 25.99% by independent third parties.
4. Shanghai Maple Automobile Company Limited (“Shanghai Maple”) is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
5. Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
6. Zhejiang Jirun Automobile Company Limited (“Jirun Automobile”) is a limited liability company incorporated in the PRC and is 1%-owned by Zhejiang Geely.
7. Hunan Geely Automobile Components Company Limited is a limited liability company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
8. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 22.93%-owned by Mr. Li and his associate.
9. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 2.99%-owned by Mr. An Cong Hui, an executive director, and his associate.
10. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.88%-owned by Mr. Li Dong Hui, Daniel, an executive director, and his associate.
11. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.44%-owned by Mr. Gui Sheng Yue, an executive director, and his associate.
12. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.25%-owned by Ms. Wei Mei, an executive director, and her associate.
13. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.18%-owned by Mr. Gan Jia Yue, an executive director, and his associate.

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

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executives of the Company, the persons, other than the directors or the chief executives of the Company, who had interests or a short positions in the shares and underlying shares 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 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 Long position	Approximate percentage or attributable percentage of shareholding (%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	26.22
Zhejiang Geely Holding Group Company Limited (Note 1)	Interest in controlled corporation	4,019,391,000	39.97
Geely Group Limited (Note 1)	Beneficial owner	196,497,000	1.95
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	796,562,000	7.92

Notes:

- Proper Glory Holding Inc. ("**Proper Glory**") is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("**Geely Holding**") and as to 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Li. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
- Zhejiang Geely Automobile Company Limited ("**Zhejiang Geely**") is a limited liability company incorporated in the PRC and is owned as to 72.40% by Geely Holding, as to 1.61% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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

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

3. FURTHER INFORMATION CONCERNING DIRECTORS

a) Directors' service agreements

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

b) Competing interests

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

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the “**Volvo Acquisition**”). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

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

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

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

In May 2017, Geely Holding entered into a heads of agreement for the acquisition of 49.9% of the issued and paid-up ordinary share capital of Proton Holdings Bhd. ("**Proton**") (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 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. At present, the Group primarily produces left-hand drive vehicles, which are mainly exported to developing countries such as Asia, Eastern Europe and the Middle East. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

On 20 January 2023, Linkstate Overseas Limited (as purchaser, a direct wholly-owned subsidiary of the Company) and Geely International (Hong Kong) Limited (as seller) entered into the agreement to purchase the sale shares of Proton, representing 49.9% of the issued and paid-up ordinary share capital of Proton, at a consideration of RMB1,063 million and the sale loan at a

consideration of US\$56,390,000 (equivalent to approximately RMB393.7 million) (the “**PHB Acquisition**”). Immediately after completion of the PHB Acquisition, the Group will hold 49.9% of the issued and paid-up ordinary share capital of Proton and will account for Proton’s financial results by way of equity method. It is expected that completion of the PHB Acquisition will take place on or before 30 April 2023 and the potential competing business between the Group and Proton would no longer exist upon completion of the PHB Acquisition.

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

The Group’s passenger vehicle products include two major brands, namely, Geely and ZEEKR. Except for the Group and its subsidiaries, Geely Holding controls the principal businesses of research and development, production and sales of passenger vehicles, and the major passenger vehicle brands include Volvo, Lynk& Co, Lotus, Polestar, London Electric Vehicle, Lavin and smart. There is no horizontal competition that casts material and adverse impact on the Group between the Group and other corporations such as those passenger vehicle brands controlled by Geely Holding and other enterprises (other than the controlling shareholders) controlled by the actual controller. Details are as follows: the Group owns two major brands: Geely and ZEEKR. Geely-branded vehicles are mainly sold in the PRC, and exported to developing countries such as Asia, Eastern Europe and the Middle East. Geely-branded vehicles are positioned as economical passenger vehicles, and Geely Brand includes three major product series, namely Geely Star series, Geome series and Galaxy series. Among them, Geely Star series is focused on the fuel vehicle market, the Geome series targets the mass market for pure electric vehicle market and the Galaxy series is positioned as a mass market for mid-to-high-end new energy vehicles. The ZEEKR brand is a new luxury smart pure electric vehicle brand of the Group.

(1) Volvo

Volvo is a luxurious global manufacture corporation based in Northern Europe, with a high-end brand image worldwide for high income group. Brand positioning: personalized, sustainable, safe, and people-oriented. Volvo’s sales regions cover Europe, China, the United States and other major global automobile markets.

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

Having a history of nearly a century, Volvo brand has long been reputed as the “safest vehicle”, shaping a high-end brand image throughout the world. The high-end image and product reputation of Volvo, being a corporation which, together with the Group, is controlled by Geely Holding, play an active and positive role in enhancing the brand image and market recognition of the Group and are beneficial to the enhancement of market awareness of the Group. Also, the Group and Volvo, both being a manufacture corporation focusing on passenger vehicle as its main product, create certain synergy effects in the research and development of related technology of CBUs and prospective technology. Leveraging the synergies in research and development with Volvo, the Group has the opportunity to learn and acquire Volvo’s technology accumulated over the years, which in turn will help promote the enhancement of the Company’s technological capability.

(2) *LYNK & CO*

LYNK & CO, being a mid- to high-end brand established through joint venture among Ningbo Geely, Geely Holding and VCI, adopts a more premium product positioning than the Group’s economy passenger vehicles under Geely Brand and the positioning of the luxury smart pure electric vehicles of the ZEEKR brand is higher-end than that of LYNK & CO Brand; LYNK & CO targets younger users in pursuit of a stronger sense of fashion and technology as its customer base, representing certain discrepancy with the Group’s brand positioning of popularization and target customer base.

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

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

Lotus

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

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

Although the Group is not a party to the Lotus acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company in November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Lotus acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

Polestar

Polestar is a manufacture brand under Polestar Automotive Holding UK PLC. Polestar Automotive Holding UK PLC is owned as to 39.3% by PSD Investment Limited and as to 48.3% by Volvo Cars. PSD Investment Limited is a company controlled by Mr. Li.

The positioning of Polestar is high-performance electric vehicle. Polestar adheres the concept of “technology-oriented”, enjoys the technical engineering synergy advantages of Volvo Cars, with worldwide sales network. Polestar redefines luxury in the age of sustainability with design, driving experience, and eco-friendly, high-tech minimalism. Significant difference is shown with the products of the Group in terms of the target consumers group.

London Electric Vehicle Company

London Electric Vehicle Company (“**LEVC**”) is a manufacture brand of Geely Holding. LEVC is positioned as the VAN series of electrified models. As at the Latest Practicable Date, LEVC had launched two models of TX5 and VN5 VANs. Both models are mainly targeted for European and other international markets. Both customer base and pricing are different from the Group’s major brands, namely Geely and ZEEKR.

Lavin

Lavin is an electric mobility brand focusing on battery swapping business models. Lavin is jointly established by the Group and Lifan Technology, with 50% equity held by both parties respectively. The vision of Lavin is to create a new pattern of battery swapping in the new energy era. The goal is to shape the perception of intergenerational advantage, to advocate the life style of battery swapping, and to create new value and changes for the industry. Lavin positions itself as popularizing convenient commute with battery swapping. Lavin has released a number of battery swapping models, which not only focuses on the operation market, but also provides more choices for consumers. The business-end and customer-end drive the business

growth at the same time. Lavin has obvious differentiations with the Group's major brands, namely Geely and ZEEKR, regarding product positioning, targeted market segment and business operation models.

smart

smart is a vehicle brand of the joint venture company and owned as to 50% each by Geely Holding Automobile and a third party, respectively. With more than 25 years of brand awareness, the tonality of the brand mainly emphasizes light luxury, fashionable interest and intelligence, highlighting internal and external style design, personalized use function and experience and aiming at the targeted user group that pursues light luxury/fashionable interest/technological experience. The pricing of the first model of smart and the price range of other brands formed a strong complementary relationship. In terms of sales market, smart naturally has the advantage of centering on two major markets, China and Europe. Especially, the brand recognition is stronger in the European market than that of other brands. smart targets the middle class customers who prefer smaller size vehicles which are more applicable for individual use. There are clear differences between smart and the Group's major brands, namely Geely and ZEEKR, in terms of targeted market, targeted customers and management team.

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

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

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

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

c) Directors' interests in assets, contracts or arrangements

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

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

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

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

Services agreement and the supplemental services agreement both between the Company and Geely Holding (the services agreement has an effective term from 1 January 2022 to 31 December 2024 and the supplemental services agreement has an effective term from its effective date to 31 December 2024)

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

Pursuant to the services agreement dated 15 October 2021 and the supplemental services agreement dated 9 September 2022, the Group agreed to supply to the Geely Holding Group the CKDs manufactured by the Group with the largest annual cap being RMB163,930 million for the three years ending 31 December 2024.

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

Pursuant to the services agreement dated 15 October 2021 and the supplemental services agreement dated 9 September 2022, the Geely Holding Group agreed to sell to the Group the CBUs, with the largest annual cap being RMB169,577 million for the three years ending 31 December 2024.

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

The Shareholders' meeting in respect of the supplemental services agreement was held on 11 November 2022 and the supplemental services 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 2022 to 31 December 2024)

Pursuant to the automobile components procurement agreement dated 15 October 2021, the Group agreed to procure automobile components from the Geely Holding Group with the largest annual cap being RMB9,220.2 million for the three years ending 31 December 2024.

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

The Shareholders' meetings in respect of the automobile components procurement agreement was held on 6 December 2021 and the automobile components procurement agreement was duly approved by the then Independent Shareholders.

Volvo finance cooperation agreements among Genius AFC, VCDC and VCIC (the Volvo finance cooperation agreements have an effective term from 1 January 2022 to 31 December 2024)

- *Volvo wholesale facility agreements between Genius AFC and Volvo Dealers (as defined in the circular of the Company dated 16 November 2021) (the Volvo wholesale facility agreements have an effective term from 1 January 2022 to 31 December 2024)*

Pursuant to the Volvo wholesale facility agreements dated 11 December 2015 and the Company's announcement dated 15 October 2021, Genius AFC agreed to enter into the Volvo wholesale facility agreements with the Volvo Dealers, pursuant to which Genius AFC will provide wholesale financing to such Volvo Dealers to facilitate their purchase of Volvo-branded vehicles, with the largest annual cap being RMB6,883.4 million for the three years ending 31 December 2024.

- *Volvo retail loan cooperation agreements between Genius AFC and Volvo Dealers (as defined in the circular of the Company dated 16 November 2021) (the Volvo retail loan cooperation agreements have an effective term from 1 January 2022 to 31 December 2024)*

Pursuant to the Volvo retail loan cooperation agreement dated 11 December 2015 and the Company's announcement dated 15 October 2021, Genius AFC agreed to enter into the Volvo retail loan cooperation agreements with 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 (as defined in the circular of the Company dated 16 November 2021) with the largest annual cap being RMB10,473.0 million for the three years ending 31 December 2024.

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

The Shareholders' meeting in respect of the Volvo finance cooperation agreement was held on 6 December 2021 and the Volvo finance cooperation agreements were duly approved by the then Independent Shareholders.

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

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

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

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

Pursuant to the master CKDs and automobile components sales agreement dated 4 November 2020, the Group agreed to sell CKDs and automobile components in relation to vehicle models including Proton-branded vehicles, Maple-branded vehicles, Farizon-branded vehicles etc. to the Geely Holding Group with the largest annual cap being RMB12,027.0 million for the three years ending 31 December 2023.

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

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

Master CKDs and automobile components purchase agreement and the supplemental master CKDs and automobile components purchase agreement both between the Company and Geely Holding (the master CKDs and automobile components purchase agreement has an effective term from 1 January 2021 to 31 December 2023 and the supplemental master CKDs and automobile components purchase agreement has an effective term from 6 December 2021 to 31 December 2023)

Pursuant to the master CKDs and automobile components purchase agreement dated 4 November 2020 and the supplemental master CKDs and automobile components purchase agreement dated 15 October 2021, the Group agreed to purchase CKDs and automobile components from the Geely Holding Group with the largest annual cap being RMB58,836.5 million for the three years ending 31 December 2023.

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

The Shareholders' meeting in respect of the supplemental master CKDs and automobile components purchase agreement was held on 6 December 2021 and the supplemental master CKDs and automobile components purchase agreement was duly approved by the then Independent Shareholders.

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

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

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

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

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

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

Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers (as defined in the circular of the Company dated 1 December 2020) and LYNK & CO Retail Customers (as defined in the circular of the Company dated 1 December 2020), including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles. The largest annual cap for the LYNK & CO wholesale financing arrangements is RMB1,125.0 million for the three years ending 31 December 2023. The largest annual cap for the LYNK & CO retail financing arrangements is RMB17,149.7 million for the three years ending 31 December 2023.

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

Pursuant to the Fengsheng finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Fengsheng Retail Customers (as defined in the circular of the Company dated 1 December 2020) to assist them to purchase Maple-branded vehicles. The largest annual cap for the Fengsheng finance cooperation agreement is RMB241.0 million for the three years ending 31 December 2023.

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

Pursuant to the Geely Holding finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Geely Retail Customers (as defined in the circular of the Company dated 1 December 2020) to assist them to purchase (a) vehicles under brands owned by Geely Holding from the Geely Holding Dealers (as defined in the circular of the Company dated 1 December 2020); or (b) Geely Branded Vehicles from the Connected Geely Dealers (as defined in the circular of the Company dated 1 December 2020). The largest annual cap for the Geely Holding finance cooperation agreement is approximately RMB606.5 million for the three years ending 31 December 2023.

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

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

ZEEKR operation services agreement and the supplemental ZEEKR operation services agreement both between the Company and ZEEKR (the ZEEKR operation services agreement has an effective term from 2 July 2021 to 31 December 2023 and the supplemental ZEEKR operation services agreement has an effective term from 29 March 2022 to 31 December 2023)

Pursuant to the ZEEKR operation services agreement dated 2 July 2021 and the supplemental ZEEKR operation services agreement dated 29 March 2022, the Group agreed to provide to the ZEEKR Group operation services that mainly include IT, logistics, procurement, finance, human resources and other administrative functions with the largest annual cap being RMB930.9 million for the three years ending 31 December 2023.

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

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

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

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

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

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

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

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

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

Automobile components procurement agreement and the supplemental automobile components procurement agreement both between the Company and ZEEKR (the automobile components procurement agreement and the supplemental automobile components procurement agreement both have an effective term from their effective date to 31 December 2023)

Pursuant to the automobile components procurement agreement dated 2 July 2021 and the supplemental automobile components procurement agreement dated 9 September 2022, the Group agreed to procure, and the ZEEKR Group agreed to supply, automobile components with the largest annual cap being RMB3,941.6 million for the three years ending 31 December 2023.

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

The Shareholders' meeting in respect of the supplemental automobile components procurement agreement was held on 11 November 2022 and the supplemental automobile components procurement agreement was duly approved by the then Independent Shareholders.

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

Pursuant to the ZEEKR finance cooperation agreement dated 2 July 2021, Genius AFC agreed to provide vehicle financing services to the ZEEKR Retail Customers (as defined in the circular of the Company dated 5 August 2021) to assist them to purchase ZEEKR-branded vehicles. The largest annual cap under the ZEEKR finance cooperation agreement is approximately RMB12,715.9 million for the three years ending 31 December 2023.

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

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

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

Pursuant to the smart finance cooperation agreement dated 9 September 2022, Genius AFC agreed to provide vehicle financing services to the smart Retail Customers to assist them to purchase smart-branded vehicles. The largest annual cap under the smart finance cooperation agreement is approximately RMB670.0 million for the two years ending 31 December 2023.

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

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

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 were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, 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:

Name	Qualification
Ballas Capital Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities
Asia-Pacific Consulting and Appraisal Limited	an independent professional valuer

As at the Latest Practicable Date, each of Ballas 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 2022, the date to which the latest audited financial statements of the Group was made up; and
- c) had given and had 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 28 April 2021 entered into among ZEEKR, Value Century, Zhejiang Fulin and Shanghai Maple in relation to the disposal of ZEEKR Shanghai pursuant to which, Value Century, Zhejiang Fulin and Shanghai Maple agreed to sell, their respective 91%, 8% and 1% equity interest(s) in ZEEKR Shanghai, and ZEEKR agreed to acquire the 100% equity interests in ZEEKR Shanghai through its indirect wholly foreign-owned subsidiary, for a cash consideration of approximately RMB980.4 million in total;
- (ii) the acquisition agreement dated 28 April 2021 entered into between ZEEKR Shanghai and Geely Holding Automobile in relation to the acquisition of the entire registered capital of ZEEKR Automobile, pursuant to which ZEEKR Shanghai agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of ZEEKR Automobile for a consideration of approximately RMB485.3 million;
- (iii) the acquisition agreement dated 13 May 2021 entered into between Zhejiang Jirun and Changxing New Energy in relation to the entire registered capital of Changxing Components for a cash consideration of approximately RMB2,534.7 million;
- (iv) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Zhejiang Geely, in relation to the acquisition of 100% equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million;
- (v) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Geely Holding Automobile, in relation to the acquisition of 30% equity interests in Haohan Energy for a cash consideration of approximately RMB9.0 million;
- (vi) the subscription agreement dated 2 July 2021 entered into among ZEEKR, Zhejiang Jichuang and Ningbo Viridi in relation to the subscription for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million;
- (vii) the subscription agreement dated 7 September 2021 entered into among the Company, ECARX and ECARX stakeholders in relation to the subscription for 4,321,521 series B preference shares for a cash consideration of approximately US\$50 million;
- (viii) the assets transfer agreement dated 15 October 2021 entered into between the Company and Geely Holding pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding

Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million;

- (ix) the share purchase agreement dated 29 October 2021 entered into between the Company and Geely Group Limited in relation to the acquisition of 220,000,000 ordinary shares of ZEEKR for a total consideration of approximately RMB5,602.2 million;
- (x) the investment cooperation agreement dated 13 December 2021 entered into between the Company and Lifan Technology in relation to the formation of a joint venture pursuant to which the Company and Lifan Technology will contribute 50% (representing RMB300 million) and 50% (representing RMB300 million), respectively, of the total shares issued by the joint venture;
- (xi) the subscription agreement dated 9 May 2022 entered into between Centurion Industries Limited (“**CIL**”), a wholly-owned subsidiary of the Company, and Renault Korea Motors Company Limited (“**Renault Korea Motors**”) in relation to the subscription of 45,375,000 common shares of Renault Korea Motors at a cash consideration of approximately KRW264 billion (approximately RMB1,376 million);
- (xii) the equity transfer agreement dated 11 July 2022 entered into among the Company, BNPP PF and its wholly-owned subsidiary in relation to the transfer of 5% interests in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420.7 million;
- (xiii) the framework agreement dated 8 November 2022 entered into among Geely Holding, Renault s.a.s. (“**Renault**”), and the Company in relation to the formation of a joint venture company regarding internal combustion engine, hybrids and plug-in hybrids powertrains and transmissions activities and related technologies;
- (xiv) the acquisition agreement dated 12 December 2022 and the supplemental agreement dated 28 March 2023 entered into between Zhejiang Jirun and Geely Manufacturing in relation to the acquisition of Xi’an Geely for a cash consideration of approximately RMB382.5 million;
- (xv) the acquisition agreement dated 20 January 2023 entered into between Geely International (Hong Kong) Limited (“**GIHK**”) and Linkstate Overseas Limited (“**Linkstate**”) in relation to the acquisition of the Proton shares and the sale loan in the principal amount of US\$56,390,000 due and payable by Perusahaan Otomobil Nasional Sdn. Bdn. to GIHK for an aggregate consideration of approximately RMB1,456.7 million; and
- (xvi) the acquisition agreement dated 20 January 2023 entered into between GIHK and Linkstate in relation to the acquisition of the sale shares of DRB-HICOM Geely Sdn. Bhd. at a nominal consideration of US\$1.00.

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 ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://geelyauto.com.hk>) from the date of this circular up to and including the date of the EGM on Friday, 28 April 2023:

- a) the Acquisition Agreement (together with the Supplemental Agreement);
- b) the CKDs and Automobile Components Sales Agreement;
- c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- e) the Valuation Report issued by Asia-Pacific Consulting and Appraisal Limited as set out in Appendix I of this circular;
- f) the letter from Ballas Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular; and
- g) the written consents from Ballas Capital Limited and Asia-Pacific Consulting and Appraisal Limited referred to in the paragraph headed "Qualification of experts" in this appendix.

NOTICE OF EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

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 3/F., Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Friday, 28 April 2023 at 10:00 a.m.. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

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

1. “**THAT:**

the conditional sale and purchase agreement dated 12 December 2022 (the “**Acquisition Agreement**”) and its supplemental agreement dated 28 March 2023 (the “**Supplemental Agreement**”) entered into between, Zhejiang Jirun (as defined in the circular of the Company dated 6 April 2023 (the “**Circular**”) and Geely Manufacturing (as defined in the Circular), in relation to the acquisition of the entire equity interest of Xi’an Geely (as defined in the Circular), copies of which are tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification, and the transaction 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 agreements which are not inconsistent with the purpose thereof as may be approved by the directors of the Company).”

2. “**THAT:**

a. the conditional agreement dated 12 December 2022 (the “**CKDs and Automobile Components Sales Agreement**”) entered into between the Company and 浙江吉利控股集团有限公司 (Zhejiang Geely Holding Group Company Limited*) (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**B**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group agreed to sell complete knock down kits (“**CKDs**”) and automobile components in relation to vehicle models including smart-branded vehicles to the Geely Holding Group, be and is hereby approved, ratified and confirmed;

NOTICE OF EGM

- b. the annual cap amounts in respect of the sales of CKDs and automobile components by the Group to the Geely Holding Group for each of the three financial years ending 31 December 2025 be and hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the CKDs and Automobile Components Sales Agreement.”

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

Hong Kong, 6 April 2023

Notes:

- (1) In order to establish entitlements of attending and voting at the forthcoming extraordinary general meeting of the Company to be held on Friday, 28 April 2023, all transfers of shares of the Company, accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Monday, 24 April 2023.
- (2) Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.
- (3) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
- (4) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
- (5) If there is Typhoon Signal No. 8 or above, a “black” rainstorm warning and/or extreme conditions caused by a super typhoon in force in Hong Kong at any time after 1:00 p.m. on the date of the forthcoming extraordinary general meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company at (<http://www.geelyauto.com.hk>) and the Stock Exchange at (<http://www.hkexnews.hk>) to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. 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 and Mr. Gan Jia Yue, and the independent non-executive directors of the Company are Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.