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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
FORMATION OF JOINT VENTURE**

THE JV FORMATION

On 23 March 2021, the Company entered into the Framework Agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form the JV Company to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto in the PRC through an indirect wholly foreign-owned enterprise to be established by the JV Company in the PRC.

Pursuant to the Framework Agreement, the JV Company will issue 2 billion JV Shares. The Company and Geely Holding will make capital contributions of RMB2 billion in total, and subscribe for 51% (representing RMB1.02 billion or its US Dollars equivalent) and 49% (representing RMB980 million or its US Dollars equivalent) of the total JV Shares to be issued by the JV Company, respectively. Each of the JV Parties will subscribe for such JV Shares through its wholly owned subsidiary. Upon its formation, the JV Company will become a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Geely Holding is beneficially wholly owned by Mr. Li and his associate.

Mr. Li is an executive Director and a Substantial Shareholder holding approximately 41.17% of the total issued share capital of the Company as at the date of this announcement. As such, Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the JV Formation constitutes a connected transaction of the Company.

As the applicable percentage ratios for the JV Formation exceeds 0.1% but less than 5%, the JV Formation is subject to the reporting and announcement requirements, but is exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

INTRODUCTION

The Board is pleased to announce that on 23 March 2021, the Company entered into the Framework Agreement with Geely Holding, pursuant to which the Company and Geely Holding agreed to form the JV Company to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto in the PRC through an indirect wholly foreign-owned enterprise to be established by the JV Company in the PRC.

THE JV FORMATION

Principal terms of the Framework Agreement are set forth below:

Date

23 March 2021

Parties: (i) the Company; and
(ii) Geely 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 beneficially wholly owned by Mr. Li and his associate. Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

Mr. Li is an executive Director and a Substantial Shareholder holding approximately 41.17% of the total issued share capital of the Company as at the date of this announcement. As such, Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Subject matter

Pursuant to the Framework Agreement, the Company and Geely Holding agreed to form the JV Company to engage in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto in the PRC through an indirect wholly foreign-owned enterprise to be established by the JV Company in the PRC. Each of the JV Parties will subscribe for such JV Shares through its wholly owned subsidiary.

Business Scope and Business of the JV Company

Upon the JV Formation, the JV Company will establish an indirect wholly foreign-owned enterprise in the PRC for the purpose of engaging in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto in the PRC. Subject to the requirements of the laws and regulations and the Listing Rules and the applicable definitive agreements to be entered with applicable parties, it is planned that such wholly foreign-owned enterprise will consolidate all kinds of assets required in the research and development, purchase and sale of electric vehicles and technologies to establish an intelligent vehicle ecosystem in the future, including but not limited to the technologies used for electric vehicle models, right-of-use under Sustainable Experience Architecture (SEA), licensing of ZEEKR Brand, technologies used for “power batteries, electric engines and electronic control systems”, other relevant upstream and downstream technologies for intelligent electric vehicles and various assets required in the construction of supply chain system and construction of user ecosystem.

Capital Contribution and Share Related Provisions

Pursuant to the Framework Agreement, the JV Company will issue 2 billion JV Shares. The Company and Geely Holding will make capital contributions of RMB2 billion in total, and subscribe for 51% (representing RMB1.02 billion or its US Dollars equivalent) and 49% (representing RMB980 million or its US Dollars equivalent) of the total JV Shares to be issued by the JV Company, respectively. Each of the JV Parties will subscribe for such JV Shares through its wholly owned subsidiary. Upon its formation, the JV Company will become a subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

The timing for the JV Parties to make their respective capital contribution to the JV Company shall be mutually determined and agreed to by the JV Parties based upon the business needs of the JV Group and in compliance with the relevant requirements of the relevant applicable laws.

The amount of the capital contributions to the JV Company was determined based on arm’s length negotiation between the JV Parties having taking into account the estimated capital requirements of the JV Group as described in the paragraph headed “Business Scope and Business of the JV Company” above.

It is expected that the JV Shares to be subscribed by the Company will be funded by internal resources of the Group in cash.

Unless all shareholders of the JV Company agree, each of the JV Parties shall not through its wholly owned subsidiary directly or indirectly transfer all or part of the JV Shares held through its wholly owned subsidiary to any third parties (but excluding transfer to their respective related parties as defined according to the Framework Agreement); and also shall not create pledges or other encumbrance on the said JV Shares. However, the share transfer for the purpose of implementing the Employee Follow-up Investment Scheme, the User Benefits Scheme or any share incentive schemes of the Company, the JV Group or Geely Holding is not subject to this restriction. Subject to the aforementioned provisions, if any JV Party through its wholly owned subsidiary directly or indirectly transfer all or part of the JV Shares it holds to any third party, the other JV Party will have the pre-emption rights.

Pursuant to the terms of the Framework Agreement, Geely Holding will transfer part of its JV Shares to the Employee Follow-up Investment Platform or its nominee based on the Employee Follow-up Investment Scheme and according to terms to be agreed with the Employee Follow-up Investment Platform. The Employee Follow-up Investment Platform may transfer any JV Shares attributable to a scheme participant under the Employee Follow-up Investment Scheme or his/her nominee pursuant to the Employee Follow-up Investment Scheme. Besides, Geely Holding will transfer part of its JV Shares to the User Benefits Platform based on the User Benefits Scheme and according to terms to be agreed with the User Benefits Platform.

Subject to the compliance with the applicable laws, regulations, the Listing Rules and the requirements of the Memorandum and Articles of Association of the JV Company, the JV Company will adopt a share option scheme to grant to scheme participants under the scheme options to subscribe for the JV Shares at a prescribed exercise price within a prescribed period.

Composition of the JV Board and Chief Executive Officer

The JV Company and Geely Holding shall mutually agree on the number of directors in the JV Board. Each of the Company and Geely Holding shall appoint through its wholly owned subsidiary such number of directors according to their respective holding of the JV Shares in the JV Company. The chairman of the JV Company shall be designated by the Company through its wholly owned subsidiary from among the directors of the JV Company. The Company through its wholly owned subsidiary plans to appoint Mr. Li as a director of the JV Company and designate him as the chairman of the JV Company. Such appointment and designation will be effective after approval of the JV Board.

The chief executive officer of the JV Company will be nominated by the Company through its wholly owned subsidiary. The Company plans to nominate Mr. An Cong Hui as the chief executive officer of the JV Company and it will take effect after approval of the JV Board.

REASONS FOR AND BENEFITS OF THE JV FORMATION

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

The Company will form a JV Group with Geely Holding based on the industrial innovation technologies for past years, in order to establish a wholly foreign-owned enterprise engaging in the research, development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto in the PRC. The JV Group will thoroughly consolidate the initial layout and incubated intelligent and electrified technologies of the JV Parties, and will strategically lay out the intelligent electric vehicles and its upstream and downstream industrial chain to further improve the users' experience and customer satisfaction with digitalized and intelligentized services. The JV Group proposes to focus on the research and development of such advanced technologies like technologies used for electric vehicles, technologies used for "power batteries, electric engines and electronic control systems", other relevant upstream and downstream technologies for intelligent electric vehicles.

The Group is a leading corporation in the industry of passenger vehicles in China, and a determined industrial pioneer in the field of electrified and intelligentized vehicles. In the context of significant transformation in the global automobile industry, the Group will jointly establish a new JV Group upon the industry and market becoming more mature, after deep consideration, the Company believes that it is a strategically important layout to push the transformation ahead, which could also establish new revolutionary edge and enhance the Chinese brand image on an ongoing basis. In addition, the JV Group to be jointly established by the Company and Geely Holding will be more beneficial to achieving high-level integration of resources and taking the advantage of economies of scale, with a view to truly fostering an intelligent and technological eco-enterprise.

The JV Group aims to forge an intelligent differentiated electric vehicles brand. Upon the JV Formation, subject to the requirements of the laws and regulations and the Listing Rules and the applicable definitive agreements to be entered with applicable parties, the Group and Geely Holding Group will transfer or grant licenses relating to the research, development, purchase and sale of the electric mobility related products such as intelligent electric vehicles and assets relating to upstream and downstream of the industrial chain and licensing of ZEEKR Brand to the JV Group, in order to allow the JV Group to seize the development opportunity in the industry of electric vehicles rapidly.

The Directors (including the independent non-executive Directors) consider that the JV Formation is conducted in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Geely Holding is beneficially wholly owned by Mr. Li and his associate.

Mr. Li is an executive Director and a Substantial Shareholder holding approximately 41.17% of the total issued share capital of the Company as at the date of this announcement. As such, Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the JV Formation constitutes a connected transaction of the Company.

As the applicable percentage ratios for the JV Formation exceeds 0.1% but less than 5%, the JV Formation is subject to the reporting and announcement requirements, but is exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following respective meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 175)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Employee Follow-up Investment Platform”	limited liability company/companies or other legal entity/entities to be established for the implementation of the Employee Follow-up Investment Scheme
“Employee Follow-up Investment Scheme”	employee follow-up investment scheme(s) to be made by the Company, Geely Holding and/or JV Company for their and their subsidiaries' senior management staff and employees
“Framework Agreement”	the cooperation framework agreement dated 23 March 2021 entered into between the JV Parties in relation to the JV Formation

“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in Zhejiang Province, the PRC, and is beneficially wholly owned by Mr. Li and his associate as at the date of this announcement
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui Daniel, Mr. An Cong Hui and their respective associates
“JV Board”	the board of directors of the JV Company
“JV Company”	a limited liability company to be established in the Cayman Islands by the JV Parties pursuant to the Framework Agreement
“JV Formation”	the formation of the JV Company by the JV Parties pursuant to the Framework Agreement
“JV Group”	JV Company and its subsidiaries
“JV Parties”	Parties to the Framework Agreement, being the Company and Geely Holding and “JV Party” shall mean any of them
“JV Shares”	ordinary share(s) in the share capital of the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a Substantial Shareholder holding 41.17% interest in the total issued share capital of the Company as at the date of this announcement
“PRC” or “China”	the People’s Republic of China, for the purpose of this Announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“US Dollars” or “US\$”	United States Dollars, the lawful currency of the United States of America
“User Benefits Platform”	limited liability company/companies or other legal entity/entities to be established for the implementation of the User Benefits Scheme
“User Benefits Scheme”	a user benefits scheme to be made by the JV Company for its and its subsidiaries’ users
“ZEEKR Brand”	a brand relating to the electric mobility related products such as intelligent electric vehicles

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

Hong Kong, 23 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence and Ms. Wei Mei, and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang.

* *for identification purpose only*