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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)

### **(1) CONTINUING CONNECTED TRANSACTIONS; AND (2) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS**

**Financial Adviser to Geely Automobile Holdings Limited**



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



#### **CONTINUING CONNECTED TRANSACTIONS**

##### **(A) Services Agreement**

Reference is made to the Company's announcements dated 27 November 2009, 13 November 2015, 18 October 2016 and 7 November 2017 in relation to the 2009 Services Agreement, pursuant to which (i) the Group agreed to sell CKDs and Vehicle Tool Kits to the Geely Holding Group; and (ii) the Geely Holding Group agreed to sell CBUs, automobile parts and components, and provide process manufacturing services to the Group.

The 2009 Services Agreement was entered into between the Company and Geely Holding on 27 November 2009 and has a term of 11 years from 1 January 2010 to 31 December 2020. On 5 October 2018 (after trading hours), the Company and Geely Holding entered into the Services Agreement for a term of three years from 1 January 2019 to 31 December 2021 to

replace the 2009 Services Agreement. Pursuant to the Services Agreement, (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Geely Holding Group conditionally agreed to sell CBUs, automobile parts and components to the Group. Pursuant to the Services Agreement, (i) the annual caps for the sale of CKDs by the Group to the Geely Holding Group are proposed to be approximately RMB191.2 billion, RMB250.2 billion and RMB293.8 billion for the three years ending 31 December 2021, respectively; (ii) the annual caps for the purchase of CBUs by the Group from the Geely Holding Group are proposed to be approximately RMB193.0 billion, RMB250.2 billion and RMB303.9 billion for the three years ending 31 December 2021, respectively; and (iii) the annual caps for the purchase of automobile parts and components by the Group from the Geely Holding Group are proposed to be approximately RMB38.1 billion, RMB50.1 billion and RMB59.1 billion for the three years ending 31 December 2021, respectively.

**(B) Electric Vehicle Agreement**

Reference is made to the Company's announcements dated 13 November 2015 and 5 October 2016 in relation to the 2015 Electric Vehicle Agreement and the 2016 Supplemental EV Agreement, respectively. Pursuant to the 2015 Electric Vehicle Agreement, the Group conditionally agreed to sell CBUs of electric vehicles to the Geely Holding Group.

The 2015 Electric Vehicle Agreement was entered into between the Company and Geely Holding on 13 November 2015 and has a term of three years from 1 January 2016 to 31 December 2018. In light of the upcoming expiry of the 2015 Electric Vehicle Agreement, on 5 October 2018 (after trading hours), the Company, Geely Holding and GGL entered into the Electric Vehicle Agreement for a term of three years from 1 January 2019 to 31 December 2021. Pursuant to the Electric Vehicle Agreement, the Group conditionally agreed to sell CBUs of electric vehicles to the Geely Holding Group and the GGL Group. The annual caps for the sale of CBUs of electric vehicles by the Group to the Geely Holding Group and the GGL Group under the Electric Vehicle Agreement are proposed to be approximately RMB14.3 billion, RMB22.1 billion and RMB17.7 billion for the three years ending 31 December 2021, respectively.

**(C) Automobile Components Procurement Agreement**

On 5 October 2018 (after trading hours), the Company and Geely Holding entered into the Automobile Components Procurement Agreement for a term of three years from 1 January 2019 to 31 December 2021. Pursuant to the Automobile Components Procurement Agreement, the Group conditionally agreed to procure automobile components from the Geely Holding Group. The annual caps for the purchase of automobile components by the Group from the Geely Holding Group under the Automobile Components Procurement Agreement are proposed to be approximately RMB13.7 billion, RMB25.8 billion and RMB33.6 billion for the three years ending 31 December 2021, respectively.

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS**

### **(A) The TZ Acquisition**

On 5 October 2018 (after trading hours), Zhejiang Dongli, an indirect 99% owned subsidiary of the Company, entered into the TZ Acquisition Agreement with Taizhou Engines, pursuant to which Zhejiang Dongli conditionally agreed to acquire, and Taizhou Engines conditionally agreed to sell, the entire registered capital of the TZ Target, for a cash consideration of RMB781,274,109.

### **(B) The GZ Acquisition**

On 5 October 2018 (after trading hours), Zhejiang Dongli, an indirect 99% owned subsidiary of the Company, entered into the GZ Acquisition Agreement with Guiyang Engines, pursuant to which Zhejiang Dongli conditionally agreed to acquire, and Guiyang Engines conditionally agreed to sell, the entire registered capital of the GZ Target, for a cash consideration of RMB484,003,363.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Continuing Connected Transactions**

As at the date of this announcement, both Geely Holding and GGL are wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company as at the date of this announcement. As such, each of Geely Holding and GGL is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Services Agreement, the Electric Vehicle Agreement and the Automobile Components Procurement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the respective proposed annual caps on an annual basis for the Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions (including their respective proposed annual caps) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Acquisitions**

As at the date of this announcement, Taizhou Engines is wholly owned by Zhejiang Geely while Guiyang Engines is owned as to 88.64% by Zhejiang Geely and as to 11.36% by an independent third party to the Company. Zhejiang Geely is owned as to 88.32% by Geely Holding and as to

11.68% by other Mr. Li's interested entities. As such, each of Zhejiang Geely, Taizhou Engines and Guiyang Engines is an associate of Mr. Li and a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Although the applicable percentage ratios in respect of the Acquisitions on an aggregate basis are less than 5%, one or more of the applicable percentage ratios of the Acquisitions together with the previous acquisitions of the Group within one year aggregated pursuant to Rule 14.22 of the Listing Rules as a whole is more than 5% but less than 25%. For details of the previous acquisitions, please refer to the announcements of the Company dated 7 November 2017 and 18 July 2018. As such, the Acquisitions are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios of the Acquisitions together with the previous acquisitions of the Group within one year aggregated pursuant to Rule 14.22 of the Listing Rules as a whole is more than 5% but less than 25%, the Acquisitions also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

## **GENERAL**

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Continuing Connected Transactions and the Acquisitions, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Continuing Connected Transactions and the Acquisitions are fair and reasonable and in the interests of the Company and the Independent Shareholders.

A circular containing, among other things, (i) further information about the Continuing Connected Transactions and the Acquisitions; (ii) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions and the Acquisitions; (iii) the advice of the Independent Financial Adviser in respect of the Continuing Connected Transactions and the Acquisitions; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 29 October 2018.

**Completion of the Acquisitions is subject to the satisfaction of the conditions precedent under the Acquisition Agreements, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## CONTINUING CONNECTED TRANSACTIONS

### (A) Services Agreement

Reference is made to the Company's announcements dated 27 November 2009, 13 November 2015, 18 October 2016 and 7 November 2017 in relation to the 2009 Services Agreement, pursuant to which (i) the Group agreed to sell CKDs and Vehicle Tool Kits to the Geely Holding Group; and (ii) the Geely Holding Group agreed to sell CBUs, automobile parts and components, and provide process manufacturing services to the Group.

The 2009 Services Agreement was entered into between the Company and Geely Holding on 27 November 2009 and has a term of 11 years from 1 January 2010 to 31 December 2020. On 5 October 2018 (after trading hours), the Company and Geely Holding entered into the Services Agreement for a term of three years from 1 January 2019 to 31 December 2021 to replace the 2009 Services Agreement. Principal terms of the Services Agreement are set out below:

#### *Date*

5 October 2018 (after trading hours)

#### *Parties*

The Company and Geely Holding

As at the date of this announcement, Geely Holding is ultimately wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company as at the date of this announcement. The Geely Holding Group is principally engaged in the sale of automobiles and related parts and components wholesale and retail business.

#### *Term*

From 1 January 2019 to 31 December 2021

#### *Condition precedent*

The Services Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Services Agreement.

If the above condition is not fulfilled on or before 31 December 2018 (or such later date as the parties may agree in writing), the Services Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

## ***Termination***

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

- (i) a written agreement is entered into between the parties to terminate the Services Agreement;
  - (ii) either party ceases business, is subject to attachment or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Services Agreement due to force majeure; or
  - (iii) Geely Holding and its associates (as defined in the Listing Rules) cease to be connected persons of the Company.
- (1) *Sale of CKDs by the Group to the Geely Holding Group*

### **Subject matter**

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

During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group which will be based on normal commercial terms and determined by the parties to the Services Agreement on arm's length basis and in compliance with the Listing Rules. Such additional services, if any, will be related to services that may be required in the process of manufacturing CKDs for new vehicle models in the future.

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

### **Pricing Basis**

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

## Payment term

Payment of CKDs delivered under the Services Agreement will be satisfied within 90 days from product delivery.

## Historical transaction amounts and proposed annual caps

As announced by the Company in its announcement dated 7 November 2017, in view of the better-than-expected demand for the Group's products, the Board resolved to revise upward the annual caps under the 2009 Services Agreement for the years ended/ending 31 December 2017 and 2018, which were approved by the then Independent Shareholders on 27 December 2017. The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; and (ii) the annual caps for the sale of CKDs and Vehicle Tool Kits by the Group to the Geely Holding Group pursuant to the 2009 Services Agreement for the three years ending 31 December 2018.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the seven months ended 31 July	Approved annual caps for the year ended/ending 31 December		
	2016	2017	2018	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Unaudited)			
Sale of CKDs and Vehicle Tool Kits by the Group to the Geely Holding Group	50,643,474	86,056,421	53,288,882	54,402,278	88,809,841	121,443,520
Utilisation rate of annual caps				93%	97%	44% ( <i>Note</i> )

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

The table below sets out the proposed annual caps for the sale of CKDs pursuant to the Services Agreement for each of the three years ending 31 December 2021.

**Proposed annual caps for the year ending 31 December**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of CKDs by the Group to the Geely Holding Group <i>(Note)</i>	191,208,876	250,203,103	293,775,381

*Note:* Under the 2009 Services Agreement, products being sold by the Group to the Geely Holding Group include both CKDs and Vehicle Tool Kits, while pursuant to the Services Agreement, products to be sold by the Group to the Geely Holding Group will only be limited to CKDs. Notwithstanding the foregoing, historically, almost all of the products sold by the Group to the Geely Holding Group under the 2009 Services Agreement were CKDs.

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

The proposed annual caps for the sale of CKDs to the Geely Holding Group by the Group were determined by the Directors with reference to (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of the Group for the three years ending 31 December 2021; (iii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2021; and (iv) the applicable PRC tax rates, the national new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2021.

**(2) *Sale of CBUs, automobile parts and components by the Geely Holding Group to the Group***

**Subject matter**

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

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

**Pricing basis**

Pursuant to the Services Agreement, the CBUs, depending on the models, will be sold to the Group based on the selling prices of CBUs to end customers, less distribution costs. The automobile parts and components to be sold by the Geely Holding Group to the



Group will be based on the original purchase cost plus the actual costs incurred by the Geely Holding Group in the procurement process of such automobile parts and components.

#### Payment term

Payment for CBUs, automobile parts and components delivered under the Services Agreement will be satisfied within 90 days from product delivery.

#### Historical transaction amounts and proposed annual caps

As announced by the Company in its announcement dated 7 November 2017, in view of the better-than-expected demand for the Group's products, the Board resolved to revise the annual caps under the 2009 Services Agreement for the years ended/ending 31 December 2017 and 2018, which were approved by the then Independent Shareholders on 27 December 2017. The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; and (ii) the annual caps for the purchase of CBUs and the purchase of automobile parts and components by the Group from the Geely Holding Group pursuant to the 2009 Services Agreement for the three years ending 31 December 2018.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the seven months ended 31 July	Approved annual caps for the year ended/ending 31 December		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)			
Purchase of CBUs by the Group from the Geely Holding Group	51,659,054	89,033,862	54,433,378	55,665,152	93,295,760	127,350,870
Utilisation rate of annual caps				93%	95%	43% (Note)
Purchase of automobile parts and components by the Group from the Geely Holding Group	9,085,445	16,620,634	10,435,326	11,282,384	17,940,062	26,009,872
Utilisation rate of annual caps				81%	93%	40% (Note)

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

The table below sets out the proposed annual caps for the purchase of CBUs and the purchase of automobile parts and components by the Group pursuant to the Services Agreement for each of the three years ending 31 December 2021.

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of CBUs by the Group			
from the Geely Holding Group	192,992,507	250,201,867	303,907,912
Purchase of automobile parts and components by the Group from the Geely Holding Group	38,094,017	50,052,689	59,076,300

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

The proposed annual caps for the purchase of CBUs by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of the Group for the three years ending 31 December 2021; (iii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2021; and (iv) the projected distribution costs for the three years ending 31 December 2021.

The proposed annual caps for the purchase of automobile parts and components by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected sales of the Group for three years ending 31 December 2021; and (iii) the historical percentage of purchase costs of automobile parts and components from the Geely Holding Group relative to the total sales of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Services Agreement is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and the terms and the proposed annual caps of the Services Agreement for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **(B) Electric Vehicle Agreement**

Reference is made to the Company's announcements dated 13 November 2015 and 5 October 2016 in relation to the 2015 Electric Vehicle Agreement and the 2016 Supplemental EV Agreement, respectively. Pursuant to the 2015 Electric Vehicle Agreement, the Group conditionally agreed to sell, and the Geely Holding Group conditionally agreed to purchase, CBUs of electric vehicles.

The 2015 Electric Vehicle Agreement was entered into between the Company and Geely Holding on 13 November 2015 and has a term of three years from 1 January 2016 to 31 December 2018. In light of the upcoming expiry of the 2015 Electric Vehicle Agreement and the emerging demand of electric vehicles from the GGL group, on 5 October 2018 (after trading hours), the Company, Geely Holding and GGL entered into the Electric Vehicle Agreement for a term of three years from 1 January 2019 to 31 December 2021. Principal terms of the Electric Vehicle Agreement are set out below:

### ***Date***

5 October 2018 (after trading hours)

### ***Parties***

Vendor:           The Company

Purchasers:      Geely Holding and GGL

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

As at the date of this announcement, GGL is ultimately wholly owned by Mr. Li and his associate. The GGL Group is principally engaged in the manufacture of automobiles and vehicle engines.

### ***Subject matter***

Pursuant to the Electric Vehicle Agreement, the Group conditionally agreed to sell, and the Geely Holding Group and the GGL Group conditionally agreed to purchase, CBUs of electric vehicles.

The sale of CBUs of electric vehicles by the Group to the Geely Holding Group and the GGL 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***

From 1 January 2019 to 31 December 2021

### ***Pricing basis***

The selling price of the CBUs of electric vehicles will be determined on an arm's length basis and on normal commercial terms with reference to the prevailing market price for similar products, and will not be lower than the prices offered to other independent third party distributors by the Group. The prevailing market price as described above will be determined based on the following:

- (i) the price of the same or similar CBUs of electric vehicles available to other independent third party distributors in the same or proximate regions on normal commercial terms and in the ordinary course of business; or
- (ii) if (i) is not applicable, the price of the same or similar CBUs of electric vehicles available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

### ***Payment term***

Payment for the transactions contemplated under the Electric Vehicle Agreement will be satisfied within 90 days from product delivery.

### ***Condition precedent***

The Electric Vehicle Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Electric Vehicle Agreement.

If the above condition is not fulfilled on or before 31 December 2018 (or such later date as the parties may agree in writing), the Electric Vehicle Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

### ***Termination***

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

- (i) a three-month prior written notice to terminate the Electric Vehicle Agreement is served by either party;

- (ii) either party ceases business, is subject to attachment or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as a result of material violation of the laws or regulations, declares bankruptcy, or is unable to perform its obligations under the Electric Vehicle Agreement due to force majeure; or
- (iii) Geely Holding, GGL and their respective associates (as defined in the Listing Rules) cease to be connected persons of the Company.

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

As announced by the Company in its announcement dated 5 October 2016, in view of the increasing demand for the Group's electric and new energy vehicle products, the Company and Geely Holding entered into the 2016 Supplemental EV Agreement to revise upward the annual caps under the 2015 Electric Vehicle Agreement for the three years ending 31 December 2018, which were approved by the then Independent Shareholders on 28 November 2016. The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; and (ii) the annual caps for the sale of CBUs of electric vehicles by the Group to the Geely Holding Group pursuant to the 2015 Electric Vehicle Agreement and the 2016 Supplemental EV Agreement for the three years ending 31 December 2018.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the seven months ended 31 July	Approved annual caps for the year ended/ending 31 December		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)			
Sale of CBUs of electric vehicles by the Group to the Geely Holding Group	2,229,908	2,757,205	2,156,527	2,254,000	5,463,020	9,487,180
Utilisation rate of annual caps				99%	50%	23% (Note)

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

The table below sets out the proposed annual caps for the sale of CBUs of electric vehicles by the Group to the Geely Holding Group and the GGL Group pursuant to the Electric Vehicle Agreement for the three years ending 31 December 2021.

**Proposed annual caps for the year ending 31 December**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of CBUs of electric vehicles by the Group to the Geely Holding Group and the GGL Group	14,281,494	22,060,747	17,693,967

*Basis of determination of the proposed annual caps*

The proposed annual caps for the sale of CBUs of electric vehicles by the Group to the Geely Holding Group and the GGL Group were determined by the Directors with reference to (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected units of electric vehicles to be sold to the Geely Holding Group based on the sales budget of the Group for the three years ending 31 December 2021; (iii) the projected units of electric vehicles to be sold to the GGL Group based on the estimated demand from the GGL Group for the three years ending 31 December 2021; and (iv) the projected average selling price of electric vehicles to end customers for the three years ending 31 December 2021. Under the 2015 Electric Vehicle Agreement, CBUs of electric vehicles have only been sold to the Geely Holding Group to take advantage of the fact that certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in certain regions of the PRC which effectively lower the end customers' purchase price of the Group's electric vehicles in those regions. Pursuant to the Electric Vehicle Agreement, CBUs of electric vehicles will also be sold to the GGL Group for use by Youxing Technology, a subsidiary of the GGL Group which operates Cao Cao, the first domestic new energy focused ride hailing and mobility service in the PRC.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Electric Vehicle Agreement is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and the terms and the proposed annual caps of the Electric Vehicle Agreement for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(C) Automobile Components Procurement Agreement**

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

***Date***

5 October 2018 (after trading hours)

## ***Parties***

Vendor: Geely Holding

Purchaser: The Company

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

## ***Subject matter***

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

For the avoidance of doubt, the automobile components to be procured by the Group from the Geely Holding Group pursuant to the Automobile Components Procurement Agreement are those that are manufactured by the Geely Holding Group, while the automobile parts and components to be sold to the Group by the Geely Holding Group pursuant to the Services Agreement are those that are procured by the Geely Holding Group from other independent third party suppliers for onward selling to the Group (that is, the Geely Holding Group is providing procurement services to the Group). For the reasons as described above, the pricing bases for the automobile components to be sold by the Geely Holding Group to the Group under the Services Agreement and the Automobile Components Procurement Agreement are different.

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

## ***Pricing basis***

The selling price of the automobile components will be determined on an arm’s length basis and on normal commercial terms with reference to the prevailing market price for similar products, and will be on terms no less favourable than those offered by the Geely Holding Group to other independent third parties or those offered to the Group by other independent third parties.

## ***Term***

From 1 January 2019 to 31 December 2021

### ***Condition precedent***

The Automobile Components Procurement Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Automobile Components Procurement Agreement.

If the above condition has not been fulfilled on or before 31 December 2018 (or such later date as the parties may agree in writing), the Automobile Components Procurement Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

### ***Termination***

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

- (i) a three-month prior written notice to terminate the Automobile Components Procurement Agreement is served by either party;
- (ii) either party ceases business, is subject to attachment or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Automobile Components Procurement Agreement due to force majeure; or
- (iii) Geely Holding and its associates (as defined in the Listing Rules) cease to be connected persons of the Company.

### ***Proposed annual caps***

There are no historical figures for the transactions contemplated under the Automobile Components Procurement Agreement as the Group has not procured automobile components manufactured by the Geely Holding Group previously. The table below sets out the proposed annual caps for the procurement of automobile components by the Group from the Geely Holding Group pursuant to the Automobile Components Procurement Agreement for the three years ending 31 December 2021.

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of automobile components by the Group from the Geely Holding Group	13,746,783	25,845,381	33,591,637



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

The proposed annual caps for the procurement of automobile components by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the projected units of each type of automobile components to be procured by the Group from the Geely Holding Group, which in turn was determined with reference to the projected unit sales of the Group's vehicles based on its sales budget for the three years ending 31 December 2021; and (ii) the projected unit selling price for each type of automobile components for the three years ending 31 December 2021.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Automobile Components Procurement Agreement is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and the terms and the proposed annual caps of the Automobile Components Procurement Agreement for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS**

### **(A) The TZ Acquisition Agreement**

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

#### ***Date***

5 October 2018 (after trading hours)

#### ***Parties***

Vendor: Taizhou Engines

Purchaser: Zhejiang Dongli

Zhejiang Dongli is principally engaged in the research, development, production, marketing and sale of engines and related components in the PRC, and is an indirect 99.1% owned subsidiary of the Company. The remaining 0.9% interests in Zhejiang Dongli is indirectly held by other Mr. Li's interested entities as at the date of this announcement.

Taizhou Engines is principally engaged in the preparation and construction of engine manufactory projects. Taizhou Engines is wholly owned by Zhejiang Geely, which in turn is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li's interested entities.

### *Subject matter*

Pursuant to the TZ Acquisition Agreement, Zhejiang Dongli conditionally agreed to acquire, and Taizhou Engines conditionally agreed to sell, the entire registered capital of the TZ Target. Details of the TZ Target are set out in the paragraph headed “Discloseable and connected transactions in relation to the Acquisitions – Information on the Target Companies”.

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

### *Consideration*

The consideration for the TZ Acquisition is RMB781,274,109, which will be payable in cash within 30 calendar days from the date of completion of the TZ Acquisition.

The consideration for the TZ Acquisition was determined after arm’s length negotiations between Zhejiang Dongli and Taizhou Engines with reference to (i) the net asset value of the TZ Target prepared under the HKFRS as at 31 August 2018 of approximately RMB778.9 million; and (ii) the valuation premium of the TZ Properties of approximately RMB2.4 million, being the difference between (a) the TZ Property Value of RMB346.8 million; and (b) the carrying value of the TZ Properties of approximately RMB344.4 million as at 31 August 2018.

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

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

The TZ Properties is an industrial complex located in Economic Development District, Taizhou City, Zhejiang Province, the PRC. According to the Valuation Report, as at 31 August 2018, the TZ Properties comprised:

- (i) a parcel of land with a total site area of 144,281 sq.m.; and
- (ii) 14 industrial and ancillary buildings with a total gross floor area of 111,945.36 sq.m., the construction of which is expected to be completed in the fourth quarter of 2018 (the “**TZ Construction-In-Progress**”).

As at the date of this announcement, Taizhou Engines holds one real estate rights certificate, one construction land planning permit, two construction work planning permits and two construction work commencement permits for the TZ Properties. According to the legal opinions from the PRC legal adviser to the Company, the above certificates and permits for the TZ Properties are true, legal and valid. In light of the time it takes to transfer the relevant certificates and permits for the TZ Properties from Taizhou Engines to the TZ Target, which is

unlikely to be completed before the completion of the TZ Acquisition, Taizhou Engines has undertaken to Zhejiang Dongli in the TZ Acquisition Agreement that the legal titles of the TZ Properties will be transferred to the TZ Target in accordance with the applicable laws in the PRC on or before 31 December 2020, subject to completion of the TZ Acquisition.

As stated in the legal opinions from the PRC legal adviser to the Company, (i) the TZ Construction-In-Progress is in compliance with the requirements of the relevant laws; (ii) according to the “Explanatory Note Regarding the Status of the Undertaking of the Application Procedures for Real Estate Rights Certificates by Taizhou Engines” (關於台州吉利羅佑發動機有限公司辦理不動產權證相關事宜的情況說明) (the “**TZ Explanatory Note**”) approved by Taizhou Land and Resources Bureau Economic Development District Branch (台州市國土資源局開發區分局) on 21 September 2018, upon completing the general procedures for obtaining real estate rights certificates, including the acceptance for fire safety, acceptance for greening, land acceptance, archive, quality inspection filing, property survey procedures, etc. with the relevant authorities, there are no legal impediments to the obtaining of the title certificates for the TZ Construction-In-Progress; and (iii) the use of the TZ Properties by the TZ Target for production will not be affected even before the completion of the transfer of the legal titles of the TZ Properties.

Pursuant to the TZ Acquisition Agreement, subject to completion of the TZ Acquisition, in the event that the obtaining and transfer of the legal titles of the TZ Properties cannot be completed on or before 31 December 2020, Taizhou Engines will (i) indemnify Zhejiang Dongli and the Company for the loss arising therefrom, which will equal to the then valuation of the TZ Properties prepared by a third party valuer approved by the parties to the TZ Acquisition Agreement (the “**TZ Indemnification Amount**”); and (ii) pay to Zhejiang Dongli a penalty calculated based on an annual interest rate of 4.35% of the TZ Indemnification Amount (the “**TZ Penalty**”), which was determined after arm’s length negotiations between the parties to the TZ Acquisition Agreement with reference to the prevailing interest rate of 4.35% on a short term loan (within one year), offered by the People’s Bank of China. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the basis for determining the TZ Indemnification Amount is fair and reasonable and in the interests of the Company and the Shareholders as a whole given that both the TZ Indemnification Amount (that is, the amount payable by Taizhou Engines to Zhejiang Dongli if the legal titles of the TZ Properties cannot be obtained on or before 31 December 2020) and the portion of the consideration attributable to the TZ Properties payable by Zhejiang Dongli to Taizhou Engines under the TZ Acquisition are based on the then valuation of the TZ Properties prepared by an independent valuer. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the rate for calculating the TZ Penalty of 4.35% per annum fair and reasonable after taking into account (i) as at the date of this announcement, the Company does not consider there is better investment opportunity for the funds which, subject to completion of the TZ Acquisition, will be used to

settle the consideration for the TZ Acquisition; and (ii) the weighted average effective interest rate of the bank borrowings of the Group was 2.62% for the year ended 31 December 2017 and 3.15% for the six months ended 30 June 2018.

In the event that the obtaining and transfer of the legal titles of the TZ Properties cannot be completed on or before 31 December 2020, it is the intention of the parties to the TZ Acquisition Agreement to appoint an independent valuer as soon as practicable to determine the then valuation of the TZ Properties, and the TZ Indemnification Amount together with the TZ Penalty, which will be calculated with retrospective effect since the date of completion of the TZ Acquisition, and will be indemnified and paid in full by Taizhou Engines in cash as soon as practicable but in any event not later than 30 calendar days upon the issuance of the then valuation of the TZ Properties prepared by the independent valuer. In the event that the obtaining and transfer of the legal titles of the TZ Properties cannot be completed on or before 31 December 2020, the Company will make an announcement to update the Shareholders of the status of the TZ Properties as well as the actual and/or potential impact thereof on the Company.

Notwithstanding the foregoing, Taizhou Engines, being the existing holder of the real estate rights certificates and the relevant permits for the TZ Properties, has undertaken to Zhejiang Dongli and the TZ Target that, subject to completion of the TZ Acquisition, the TZ Target can continue to occupy and use the TZ Properties free of charge regardless of whether the obtaining and/or transfer of the legal titles of the TZ Properties can be completed on or before 31 December 2020 or at all. Taking into account the opinions of the PRC legal adviser and the undertakings by Taizhou Engines as abovementioned, the operation of the TZ Target is not expected to be impacted even if the obtaining and/or transfer of the legal titles of the TZ Properties cannot be completed on or before 31 December 2020.

Having considered (i) the basis for determination of the consideration for the TZ Acquisition as disclosed in the section headed “(A) The TZ Acquisition – Consideration” above; (ii) the legal opinions from the PRC legal adviser to the Company that (a) the use of the TZ Properties by the TZ Target for production will not be affected even before the completion of transfer of the legal titles of the TZ Properties from Taizhou Engines to the TZ Target; and (b) there are no legal impediments to the obtaining of the title certificates for the TZ Construction-In-Progress upon completing the general procedures for obtaining real estate rights certificates with the relevant authorities; and (iii) in the event that the obtaining and transfer of the legal titles of the TZ Properties cannot be completed on or before 31 December 2020, Taizhou Engines will indemnify Zhejiang Dongli and the Company for the TZ Indemnification Amount, and will pay to Zhejiang Dongli the TZ Penalty, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the TZ Acquisition fair and reasonable.

### ***TZ Shareholder's Loan***

Pursuant to the TZ Acquisition Agreement, the outstanding TZ Shareholder's Loan up to a maximum amount of RMB1,534.7 million on the completion date of the TZ Acquisition will be repaid by the Group to the Geely Holding Group within three months from the completion of the TZ Acquisition. Such TZ Shareholder's Loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

### ***Conditions precedent***

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

- (i) Zhejiang Dongli being satisfied with the results of its due diligence review on the TZ Target, including, but not limited to, the possession by the TZ Target of all approvals, consents and permits, and completion of all filings necessary to conduct the business operations of the TZ Target;
- (ii) the Company having obtained the Independent Shareholders' approval at the EGM for the TZ Acquisition Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the TZ Acquisition, including but not limited to, the obtaining of the new business license of the TZ Target and the SAIC's website indicating that Zhejiang Dongli is the sole shareholder of the TZ Target;
- (iv) the representations and warranties made by Taizhou Engines in the TZ Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Taizhou Engines having performed fully its obligations under the TZ Acquisition Agreement on or before completion of the TZ Acquisition; and
- (v) (a) there being no material adverse change in the existence, business and financial positions of the TZ Target; and (b) no statute, regulation, proceeding or order pertaining to the TZ Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the TZ Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the TZ Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the TZ Acquisition Agreement (or such later date as the parties may agree in writing), any party to the TZ Acquisition Agreement will have the right to terminate the TZ Acquisition Agreement by

prior written notice to the other party. In the event of such termination, no party to the TZ 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 TZ Acquisition Agreement will become null and void upon such termination and the TZ Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

### ***Completion of the TZ Acquisition***

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

## **(B) The GZ Acquisition Agreement**

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

### ***Date***

5 October 2018 (after trading hours)

### ***Parties***

Vendor: Guiyang Engines

Purchaser: Zhejiang Dongli

Please refer to the paragraph headed “Discloseable and connected transactions in relation to the Acquisitions – (A) The TZ Acquisition – Parties” for further details regarding Zhejiang Dongli.

Guiyang Engines is principally engaged in the preparation and construction of engine manufactory projects. Guiyang Engines is owned as to 88.64% by Zhejiang Geely and as to 11.36% by an independent third party to the Group. Zhejiang Geely in turn is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li’s interested entities.

### ***Subject matter***

Pursuant to the GZ Acquisition Agreement, Zhejiang Dongli conditionally agreed to acquire, and Guiyang Engines conditionally agreed to sell, the entire registered capital of the GZ Target. Details of the GZ Target are set out in the paragraph headed “Discloseable and connected transactions in relation to the Acquisitions – Information on the Target Companies”.

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

## *Consideration*

The consideration for the GZ Acquisition is RMB484,003,363, which will be payable in cash within 30 calendar days from the date of completion of the GZ Acquisition.

The consideration for the GZ Acquisition was determined after arm's length negotiations between Zhejiang Dongli and Guiyang Engines with reference to (i) the net asset value of the GZ Target prepared under the HKFRS as at 31 August 2018 of approximately RMB483.8 million; and (ii) the valuation premium of the GZ Properties of approximately RMB250,744, being the difference between (a) the sum of the GZ Property Value of RMB258.2 million; and (b) the carrying value of the GZ Properties of approximately RMB257.9 million as at 31 August 2018.

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

## *Undertaking in respect of the GZ Properties*

The GZ Properties is an industrial complex located in Baiyun District, Guiyang City, Guizhou Province, the PRC. According to the Valuation Report, as at 31 August 2018, the GZ Properties comprised:

- (i) a parcel of land with a total site area of 134,523 sq.m.; and
- (ii) 5 industrial and ancillary buildings with a total gross floor area of 133,661.56 sq.m., the construction of which is expected to complete in the first quarter of 2019 (the “**GZ Construction-In-Progress**”).

As at the date of this announcement, Guiyang Engines holds one real estate rights certificate, one construction land planning permit, one construction work planning permit and one construction work commencement permits for the GZ Properties. According to the legal opinions from the PRC legal adviser to the Company, the above certificate and permits for the GZ Properties are true, legal and valid. In light of the time it takes to transfer the relevant certificates and permits for the GZ Properties from Guiyang Engines to the GZ Target, which is unlikely to be completed before the completion of the GZ Acquisition, Guiyang Engines has undertaken to Zhejiang Dongli in the GZ Acquisition Agreement that the legal titles of the GZ Properties will be transferred to the GZ Target in accordance with the applicable laws in the PRC on or before 31 December 2020 subject to completion of the GZ Acquisition.

As stated in the legal opinions from the PRC legal adviser to the Company, (i) the GZ Construction-In-Progress is in compliance with the requirements of the relevant laws; (ii) upon completing the general procedures for obtaining real estate rights certificates, including the acceptance for fire safety, acceptance for greening, land acceptance, archive, quality inspection filing, property survey procedures, etc. with the relevant authorities, there are no legal

impediments to the obtaining of the title certificates for the GZ Construction-In-Progress; and (iii) the use of the GZ Properties by the GZ Target for production will not be affected even before the completion of the transfer of the legal titles of the GZ Properties.

Pursuant to the GZ Acquisition Agreement, subject to completion of the GZ Acquisition, in the event that the obtaining and transfer of the legal titles of the GZ Properties cannot be completed on or before 31 December 2020, Guiyang Engines will (i) indemnify Zhejiang Dongli and the Company for the loss arising therefrom, which will equal to the then valuation of the GZ Properties prepared by a third party valuer approved by the parties to the GZ Acquisition Agreement (the “**GZ Indemnification Amount**”); and (ii) pay to Zhejiang Dongli a penalty calculated based on an annual interest rate of 4.35% of the GZ Indemnification Amount (the “**GZ Penalty**”), which was determined after arm’s length negotiations between the parties to the GZ Acquisition Agreement with reference to the prevailing interest rate of 4.35% on a short term loan (within one year), offered by the People’s Bank of China. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the basis for determining the GZ Indemnification Amount is fair and reasonable and in the interests of the Company and the Shareholders as a whole given that both the GZ Indemnification Amount (that is, the amount payable by Guiyang Engines to Zhejiang Dongli if the legal titles of the GZ Properties cannot be obtained on or before 31 December 2020) and the portion of the consideration attributable to the GZ Properties payable by Zhejiang Dongli to Guiyang Engines under the GZ Acquisition are based on the then valuation of the GZ Properties prepared by an independent valuer. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the rate for calculating the GZ Penalty of 4.35% per annum fair and reasonable after taking into account (i) as at the date of this announcement, the Company does not consider there is better investment opportunity for the funds which, subject to completion of the GZ Acquisition, will be used to settle the consideration for the GZ Acquisition; and (ii) the weighted average effective interest rate of the bank borrowings of the Group was 2.62% for the year ended 31 December 2017 and 3.15% for the six months ended 30 June 2018.

In the event that the obtaining and transfer of the legal titles of the GZ Properties cannot be completed on or before 31 December 2020, it is the intention of the parties to the GZ Acquisition Agreement to appoint an independent valuer as soon as practicable to determine the then valuation of the GZ Properties, and the GZ Indemnification Amount together with the GZ Penalty, which will be calculated with retrospective effect since the date of completion of the GZ Acquisition, and will be indemnified and paid in full by Guiyang Engines in cash as soon as practicable but in any event not later than 30 calendar days upon the issuance of the then valuation of the GZ Properties prepared by the independent valuer. In the event that the obtaining and transfer of the legal titles of the GZ Properties cannot be completed on or before 31 December 2020, the Company will make an announcement to update the Shareholders of the status of the GZ Properties as well as the actual and/or potential impact thereof on the Company.



Notwithstanding the foregoing, Guiyang Engines, being the existing holder of the real estate rights certificates and the relevant permits for the GZ Properties, has undertaken to Zhejiang Dongli and the GZ Target that, subject to completion of the GZ Acquisition, the GZ Target can continue to occupy and use the GZ Properties free of charge regardless of whether the obtaining and/or transfer of the legal titles of the GZ Properties can be completed on or before 31 December 2020 or at all. Taking into account the opinions of the PRC legal adviser and the undertakings by Guiyang Engines as abovementioned, the operation of the GZ Target is not expected to be impacted even if the obtaining and/or transfer of the legal titles of the GZ Properties cannot be completed on or before 31 December 2020.

Having considered (i) the basis for determination of the consideration for the GZ Acquisition as disclosed in the section headed “(B) The GZ Acquisition – Consideration” above; (ii) the legal opinions from the PRC legal adviser to the Company that (a) the use of the GZ Properties by the GZ Target for production will not be affected even before the completion of transfer of the legal titles of the GZ Properties from Guiyang Engines to the GZ Target; and (b) there are no legal impediments to the obtaining of the title certificates for the GZ Construction-In-Progress upon completing the general procedures for obtaining real estate rights certificates with the relevant authorities; and (iii) in the event that the obtaining and transfer of the legal titles of the GZ Properties cannot be completed on or before 31 December 2020, Guiyang Engines will indemnify Zhejiang Dongli and the Company for the GZ Indemnification Amount, and will pay to Zhejiang Dongli the GZ Penalty, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the GZ Acquisition fair and reasonable.

### ***GZ Shareholder’s Loan***

Pursuant to the GZ Acquisition Agreement, the outstanding GZ Shareholder’s Loan up to a maximum amount of RMB1,157.2 million on the completion date of the GZ Acquisition will be repaid by the Group to the Geely Holding Group within three months from the completion of the GZ Acquisition. Such GZ Shareholder’s Loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

### ***Conditions precedent***

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

- (i) Zhejiang Dongli being satisfied with the results of its due diligence review on the GZ Target, including, but not limited to, the possession by the GZ Target of all approvals, consents and permits, and completion of all filings necessary to conduct the business operations of the GZ Target;

- (ii) the Company having obtained the Independent Shareholders' approval at the EGM for the GZ Acquisition Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the GZ Acquisition, including but not limited to, the obtaining of the new business license of the GZ Target and the SAIC's website indicating that Zhejiang Dongli is the sole shareholder of the GZ Target;
- (iv) the representations and warranties made by Guiyang Engines in the GZ Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Guiyang Engines having performed fully its obligations under the GZ Acquisition Agreement on or before completion of the GZ Acquisition; and
- (v) (a) there being no material adverse change in the existence, business and financial positions of the GZ Target; and (b) no statute, regulation, proceeding or order pertaining to the GZ Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the GZ Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the GZ Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the GZ Acquisition Agreement (or such later date as the parties may agree in writing), any party to the GZ Acquisition Agreement will have the right to terminate the GZ Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the GZ 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 GZ Acquisition Agreement will become null and void upon such termination and the GZ Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

### ***Completion of the GZ Acquisition***

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

### ***Information on the Target Companies***

#### ***Principal businesses of the Target Companies***

- (a) The TZ Target

The TZ Target is a private limited liability company incorporated in the PRC on 10 August 2018. It is principally engaged in the technology research and development, technology consultancy services, manufacture and sale of automobile engines, and the provision of after-sales services in the PRC.

A production facility with a planned production capacity of 360,000 units of engines per annum of the TZ Target is currently under construction. It is currently expected that the construction of the TZ Properties will be completed in the fourth quarter of 2018 and commercial production will commence in the first quarter of 2019. The major product to be produced by the TZ Target is four-cylinder turbo-charged engine.

(b) The GZ Target

The GZ Target is a private limited liability company incorporated in the PRC on 14 August 2018. It is principally engaged in the technology research and development, technology consultancy services, manufacture and sale of automobile engines, and the provision of after-sales services in the PRC.

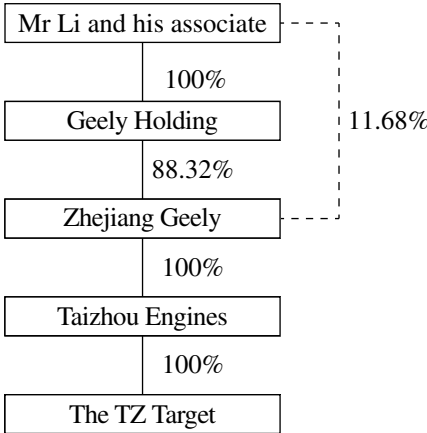
A production facility with a planned production capacity of 360,000 units of engines per annum of the GZ Target is currently under construction. It is currently expected that the construction of the GZ Properties will be completed and commercial production will commence in the first quarter of 2019. The major product to be produced by the GZ Target is three-cylinder turbo-charged engine.

*Shareholding structures of the Target Companies*

The following diagrams set out the shareholding structures of the Target Companies before and upon completion of the Acquisitions:

(a) The TZ Target

**As at the date of this announcement**



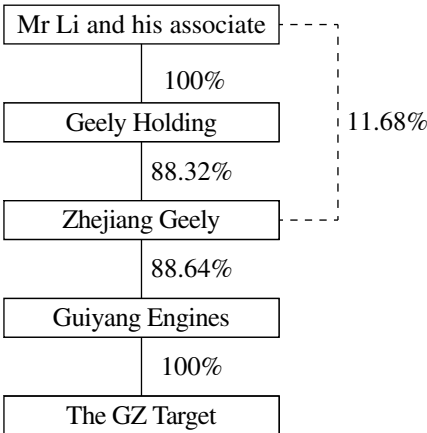
**Upon completion of the TZ Acquisition**



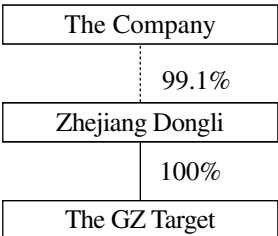
— Direct interests  
 ..... Indirect interests  
 - - - - Through Mr. Li's interested entities

(b) The GZ Target

**As at the date of this announcement**



**Upon completion of the GZ Acquisition**



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

*Financial information on the Target Companies*

Set out below is the unaudited financial information of the TZ Target and the GZ Target for the periods as indicated below prepared under the HKFRS:

(a) The TZ Target

	<b>From 10 August 2018 to 31 August 2018</b> (Unaudited) <i>RMB'000</i>
Revenue	–
Loss before taxation	(119)
Loss after taxation	(119)

The unaudited net asset value of the TZ Target as at 31 August 2018 amounted to approximately RMB778.9 million. As at 31 August 2018, the outstanding TZ Shareholder's Loan amounted to approximately RMB1,023.9 million.

(b) The GZ Target

	<b>From 14 August 2018 to 31 August 2018</b> (Unaudited) <i>RMB'000</i>
Revenue	–
Loss before taxation	(84)
Loss after taxation	(84)

The unaudited net asset value of the GZ Target as at 31 August 2018 amounted to approximately RMB483.8 million. As at 31 August 2018, the outstanding GZ Shareholder's Loan amounted to approximately RMB675.4 million.

## **REASONS FOR AND BENEFITS OF (I) THE CONTINUING CONNECTED TRANSACTIONS; AND (II) THE DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS**

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

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

The GGL Group is principally engaged in the manufacture of automobiles and vehicle engines.

### **The Continuing Connected Transactions**

#### ***Services Agreement***

- (i) *Sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group*

Pursuant to the Services Agreement, the Group will sell to the Geely Holding Group CKDs, and purchase from the Geely Holding Group CBUs, automobile parts and components for a term of three years from 1 January 2019 to 31 December 2021. Under the Services Agreement, the Geely Holding Group will perform final assembly of the CKDs purchased from the Group, facilitate payment of the PRC consumption tax, and then sell the CBUs assembled from the CKDs back to the Group for distribution to end customers. As the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission in the PRC, which is required to effect payment of the PRC consumption tax, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the above arrangement will ensure smooth operation of the Group as the services to be provided by the Geely Holding Group, which possesses the said automobile catalogue, will facilitate the payment of such PRC consumption tax.

- (ii) *Purchase of automobile parts and components by the Group from the Geely Holding Group*

The automobile parts and components to be sold to the Group by the Geely Holding Group pursuant to the Services Agreement will be those that are procured by the Geely Holding Group from other independent third party suppliers for onward selling to the Group (that is, the Geely Holding Group is providing procurement services to the Group). The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the procurement services to be provided by the Geely Holding Group will help reduce the administrative burden on the Group of having to deal with numerous different suppliers and will enable the Group to secure a

stable source of raw materials at competitive prices leveraging on the long-term relationships established between the Geely Holding Group and the suppliers of those automobile parts and components.

### ***Electric Vehicle Agreement***

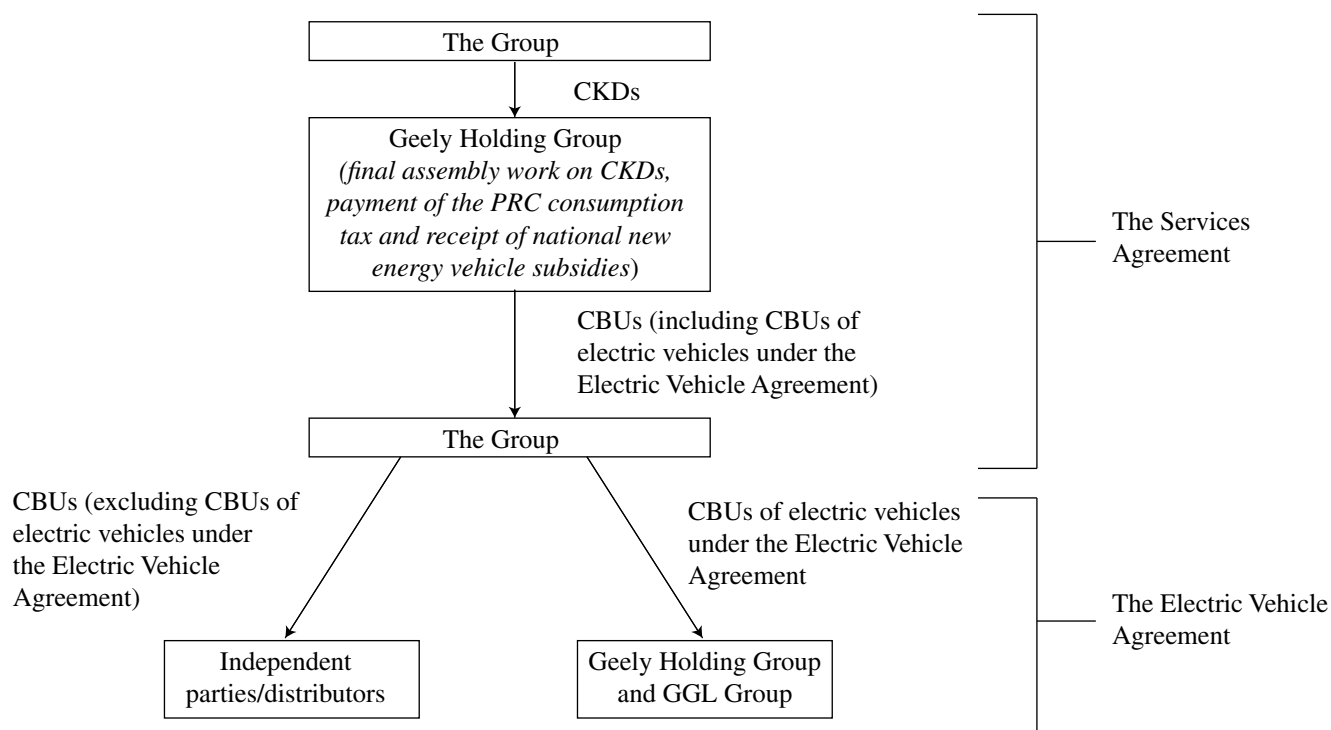
The Group has been selling electric vehicles through the Geely Holding Group pursuant to the 2015 Electric Vehicle Agreement which will expire on 31 December 2018. In light of the upcoming expiry of the 2015 Electric Vehicle Agreement and the emerging demand of electric vehicles from the GGL Group, the Group entered into the Electric Vehicle Agreement on 5 October 2018 (after trading hours) for the sale of electric vehicles to the Geely Holding Group and the GGL Group.

With increasing public awareness of the importance of environmental protection and the PRC's government policy relating to saving fuel and reducing vehicle emission, major automobile manufacturers are actively developing and promoting electric vehicles and hybrid vehicles. The Board has long recognised the development potential of the electric vehicle market in the PRC. As disclosed in the Company's interim report for the six months ended 30 June 2018, the Group announced and started to implement its new energy vehicle strategy named "Blue Geely Initiatives" in November 2015, which is a 5-year campaign demonstrating the Group's dedication to transforming into the industry leader in new energy vehicle technologies. The initiative's target is that up to 90% of the Group's total sales volume would be in the form of new energy vehicles by 2020.

As only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in certain regions of the PRC which effectively lower the end customers' purchase price of the Group's electric vehicles in those regions, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the sale of electric vehicles through the Geely Holding Group under the Electric Vehicle Agreement is essential for the Group to remain price competitive and hence facilitating the Group's sale of electric vehicles in those regions.

Furthermore, under the 2015 Electric Vehicle Agreement, CBUs of electric vehicles have only been sold to the Geely Holding Group to take advantage of its eligibility to the new energy vehicle subsidies as described above. Pursuant to the Electric Vehicle Agreement, CBUs of electric vehicles will also be sold to the GGL Group for use by Youxing Technology, a subsidiary of the GGL Group which operates Cao Cao, the first domestic new energy focused ride hailing and mobility service in the PRC. Currently, Cao Cao is operating in more than 25 cities in the PRC with more than 20,000 designated drivers. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the sale of CBUs of electric vehicles to the GGL Group pursuant to the Electric Vehicle Agreement will enhance the market awareness of the Group's electric vehicles as well as generate additional revenue to the Group.

The following flow chart sets out the simplified flow of various parts and processes under the Services Agreement and the Electric Vehicle Agreement:



### ***Automobile Components Procurement Agreement***

Pursuant to the Automobile Components Procurement Agreement, the Group will procure automobile components (including batteries, motors, electronic control system products, headlights, car seats etc.) from and manufactured by the Geely Holding Group. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the entering into of the Automobile Components Procurement Agreement is beneficial to the Group as the automobile components to be supplied by the Geely Holding Group will be on terms no less favourable than those offered to the Group by other independent third parties, and the Automobile Components Procurement Agreement will enable the Group to a secure stable and reliable supply of automobile components in an efficient and responsive manner, given the long-standing cooperation and relationship between the Group and the Geely Holding Group.

Having considered the foregoing, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms and the proposed annual caps of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## **The Acquisitions**

As disclosed in the section headed “Discloseable and connected transactions in relation to the Acquisitions – Information on the Target Companies”, the Target Companies will be principally engaged in the technology research and development, technology consultancy services, manufacture and sale of automobile engines, and the provision of after-sales services in the PRC.

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

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after having taken into consideration the advice of the Independent Financial Adviser) consider that, although the Acquisition Agreements and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **RELEVANT INTERNAL CONTROL MEASURES**

In order to ensure that the aforesaid pricing bases for the Continuing Connected Transactions are adhered to, the Company will or will continue to (as the case may be) adopt the following internal control measures:

### **Services Agreement**

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

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

*(ii) Sale of CBUs, automobile parts and components from the Geely Holding Group to the Group*

For the purchases of CBUs by the Group, the sales department of the Group will keep track of the expected selling price of vehicles and relevant cost items, which mainly include distribution costs, and will review such information on a monthly basis and determine the selling price of vehicles on a quarterly basis when the market is stable (or more frequently if it is determined necessary) to ensure the fairness of the selling price of the CBUs. The finance department of the Group will review the aforesaid works carried out by the sales department on a quarterly basis to ensure that the continuing connected transactions are being implemented in accordance with the pricing policies. For the purchase of automobile parts and components by the Group, the Group and the Geely Holding Group will negotiate on a half-yearly basis (or more frequently if it is determined necessary) the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

**Electric Vehicle Agreement**

The Group will monitor the expected selling price of electric vehicles and relevant cost items, which mainly include distribution costs, to ensure the fairness of the selling price of CBUs of electric vehicles. The Group maintains a database, which is updated monthly, to store all the aforesaid pricing and cost information. Such database allows the sales department of the Group to keep up-to-date records of the unit prices of products sold by the Group so that its sales teams can timely obtain the relevant pricing information as the basis to determine the price range for the CBUs of electric vehicles to be sold to Geely Holding Group. The Group also has a designated market research team to keep track of selling prices of similar electric vehicles in the market for competing brands through public available information on a quarterly basis to ensure CBUs of electric vehicles are being sold at prices that are comparable to the market, and will share their findings with the sales teams and finance department accordingly. The sales and finance departments will check the information provided by the market research team to ensure reasonableness with regard to the comparables selected by the market research team. If the selling price of electric vehicles is required to be revised, the sales and finance departments will hold a meeting to revise and confirm the selling price with reference to the market. The finance department of the Group will also ensure the relevant continuing connected transactions are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interest of the Company and the Shareholders as a whole. Moreover, the transactions contemplated under the Electric Vehicle Agreement will be supervised and monitored by the Group's general managers in charge to ensure both agreements are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

**Automobile Components Procurement Agreement**

The Group will obtain quotations from various independent third party suppliers for similar products and will then compare the prices offered by those independent third party suppliers to that offered by the Geely Holding Group to the Group to ensure the fairness of the selling price of the automobile components offered by the Geely Holding Group. Moreover, the transactions contemplated under the

Automobile Components Procurement Agreement will be supervised and monitored by the Group's procurement committee to ensure the Automobile Components Procurement Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

In relation to the aforesaid internal control measures, the internal audit department of the Group will conduct assessment on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor reviews and confirms whether all continuing connected transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Continuing Connected Transactions**

As at the date of this announcement, both Geely Holding and GGL are wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company as at the date of this announcement. As such, each of Geely Holding and GGL is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Services Agreement, the Electric Vehicle Agreement and the Automobile Components Procurement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the respective proposed annual caps on an annual basis for the Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions (including their respective proposed annual caps) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The Acquisitions**

As at the date of this announcement, Taizhou Engines is wholly owned by Zhejiang Geely while Guiyang Engines is owned as to 88.64% by Zhejiang Geely and as to 11.36% by an independent third party to the Company. Zhejiang Geely in turn is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li's interested entities. As such, each of Zhejiang Geely, Taizhou Engines and

Guiyang Engines is an associate of Mr. Li and a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Although the applicable percentage ratios in respect of the Acquisitions on an aggregate basis are less than 5%, one or more of the applicable percentage ratios of the Acquisitions together with the previous acquisitions of the Group within one year aggregated pursuant to Rule 14.22 of the Listing Rules as a whole is more than 5% but less than 25%. For details of the previous acquisitions, please refer to the announcements of the Company dated 7 November 2017 and 18 July 2018. As such, the Acquisitions are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios of the Acquisitions together with the previous acquisitions of the Group within one year aggregated pursuant to Rule 14.22 of the Listing Rules as a whole is more than 5% but less than 25%, the Acquisitions also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

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

## **EGM**

The EGM will be convened to consider and approve the Continuing Connected Transactions and the Acquisitions. Mr. Li and his associates together holding 3,987,588,000 Shares (representing approximately 44.41% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,200,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 16,280,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) as at the date of this announcement, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the Acquisitions.

## **GENERAL**

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Continuing Connected Transactions and the Acquisitions, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Continuing Connected Transactions and the Acquisitions are fair and reasonable and in the interests of the Company and the Independent Shareholders.

A circular containing, among other things, (i) further information about the Continuing Connected Transactions and the Acquisitions; (ii) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions and the Acquisitions; (iii) the advice of the Independent Financial Adviser in respect of the Continuing Connected Transactions and the Acquisitions; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 29 October 2018.

**Completion of the Acquisitions is subject to the satisfaction of the conditions precedent under the Acquisition Agreements, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below: –

“2009 Services Agreement”	the agreement dated 27 November 2009 entered into between the Company and Geely Holding for (i) the sale of CKDs and Vehicle Tool Kits by the Group to the Geely Holding Group; and (ii) the sale of CBUs, automobile parts and components, and provision of process manufacturing services by the Geely Holding Group to the Group
“2015 Electric Vehicle Agreement”	the agreement dated 13 November 2015 entered into between the Company and Geely Holding for the sale of CBUs of electric vehicles by the Group to the Geely Holding Group
“2016 Supplemental EV Agreement”	the supplemental agreement to the 2015 Electric Vehicle Agreement dated 5 October 2016 entered into between the Company and Geely Holding to revise the annual caps for the transactions contemplated under the 2015 Electric Vehicle Agreement
“Acquisitions”	the TZ Acquisition and the GZ Acquisition, collectively
“Acquisition Agreements”	the TZ Acquisition Agreement and the GZ Acquisition Agreement, collectively
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Automobile Components Procurement Agreement”	the master agreement dated 5 October 2018 entered into between the Company and Geely Holding for the procurement of automobile components by the Group from the Geely Holding Group
“Board”	the board of Directors

“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“Cao Cao”	a new energy focused ride hailing and mobility service in the PRC
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“CBU(s)”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	transactions contemplated under the Services Agreement, the Electric Vehicle Agreement, and the Automobile Components Procurement Agreement
“Dakin Capital” or “Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Continuing Connected Transactions; and (ii) the Acquisitions
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve (i) the Continuing Connected Transactions; and (ii) the Acquisitions
“Electric Vehicle Agreement”	the master agreement dated 5 October 2018 entered into among the Company, Geely Holding and GGL for the sale of CBUs of electric vehicles by the Company to the Geely Holding Group and the GGL Group
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate
“Geely Holding Group”	Geely Holding and its subsidiaries

“GGL”	吉利集團有限公司 (Geely Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate
“GGL Group”	GGL and its subsidiaries
“Guiyang Engines”	貴陽吉利發動機有限公司 (Guiyang Geely Engines Company Limited*), a private limited liability company incorporated in the PRC owned as to 88.64% by Zhejiang Geely as at the date of this announcement
“GZ Acquisition”	the acquisition of the entire registered capital of the GZ Target by Zhejiang Dongli from Guiyang Engines pursuant to the GZ Acquisition Agreement
“GZ Acquisition Agreement”	the acquisition agreement entered into between Zhejiang Dongli and Guiyang Engines on 5 October 2018 in relation to the GZ Acquisition
“GZ Properties”	an industrial complex located in Baiyun District, Guiyang City, Guizhou Province, the PRC
“GZ Property Value”	market value of the GZ Properties as stated in the Valuation Report
“GZ Shareholder’s Loan”	interest-free loan up to a maximum amount of RMB1,157.2 million on the completion date of the GZ Acquisition made to the GZ Target by the Geely Holding Group
“GZ Target”	貴州吉利發動機有限公司 (Guizhou Geely Engine Company Limited*), a limited liability company incorporated in the PRC, and a wholly owned subsidiary of Guiyang Engines as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to (i) the Continuing Connected Transactions; and (ii) the Acquisitions
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associate holding 44.41% interests in the total issued share capital of the Company as at the date of this announcement
“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 announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce or its local bureaus
“Services Agreement”	the agreement dated 5 October 2018 entered into between the Company and Geely Holding (i) for the sale of CKDs by the Group to the Geely Holding Group; and (ii) for the sale of CBUs, automobile parts and components by the Geely Holding Group to the Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)



“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taizhou Engines”	台州吉利羅佑發動機有限公司 (Taizhou Geely Luoyou Engines Company Limited*), a private limited liability company incorporated in the PRC, and a wholly owned subsidiary of Zhejiang Geely as at the date of this announcement
“Target Companies”	the TZ Target and the GZ Target, collectively
“TZ Acquisition”	the acquisition of the entire registered capital of the TZ Target by Zhejiang Dongli from Taizhou Engines pursuant to the TZ Acquisition Agreement
“TZ Acquisition Agreement”	the acquisition agreement entered into between Zhejiang Dongli and Taizhou Engines on 5 October 2018 in relation to the TZ Acquisition
“TZ Properties”	an industrial complex located in Economic Development District, Taizhou City, Zhejiang Province, the PRC
“TZ Property Value”	market value of the TZ Properties as stated in the Valuation Report
“TZ Shareholder’s Loan”	interest-free loan up to a maximum amount of RMB1,534.7 million on the completion date of the TZ Acquisition made to the TZ Target by the Geely Holding Group
“TZ Target”	台州濱海吉利發動機有限公司 (Taizhou Binhai Geely Engine Company Limited*), a limited liability company incorporated in the PRC, and a wholly owned subsidiary of Taizhou Engines as at the date of this announcement
“Valuation Report”	the valuation report on the TZ Properties and the GZ Properties prepared by the Independent Valuer
“Vehicle Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the vehicle
“Youxing Technology”	杭州優行科技有限公司 (Hangzhou Youxing Technology Company Limited*), a limited liability company incorporated in the PRC and owned as to 90.53% by GGL

“Zhejiang Dongli”	浙江吉利動力總成有限公司 (Zhejiang Geely Dongli Zongcheng Company Limited*) (formerly known as 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engines Company Limited*)), a private company incorporated in the PRC and indirectly owned as to 99.1% by the Company as at the date of this announcement
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a private company incorporated in the PRC and owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li’s interested entities as at the date of this announcement
“%”	per cent

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

Hong Kong, 5 October 2018

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

\* *For identification purposes only*