
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited



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

BALLAS

C A P I T A L

A subsidiary of Crosby

A letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 51 of this circular. A notice convening the EGM to be held Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 11 November 2022 at 4:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for measures being taken to prevent and control the spread of the COVID-19 at the EGM, including:

- compulsory temperature checks
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or any person wearing an electronic tracking wristband under quarantine order may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The form of proxy is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the "Investor Centre" section of the Company's website at <http://www.geelyauto.com.hk>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact Union Registrars Limited, the Company's Hong Kong share registrar, as follows:

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point, Hong Kong
E-mail: geely@unionregistrars.com.hk
Tel. No.: (852) 2849 3399
Fax No.: (852) 2849 3319

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“As-Converted Basis” or “As-Converted”	assuming all Pre-A Preferred Shares are converted into ordinary shares of ZEEKR
“Automobile Components Procurement Agreement”	the agreement entered into between the Company and ZEEKR on 2 July 2021 pursuant to which the Group conditionally agreed to procure, and ZEEKR conditionally agreed to supply, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) for a period from the effective date of the Automobile Components Procurement Agreement to 31 December 2023
“Automobile Components Sales Agreement”	the agreement entered into among the Company, Geely Holding and LYNK & CO on 2 July 2021 pursuant to which the Group conditionally agreed to sell, and the Geely Holding Group and LYNK & CO Group conditionally agreed to procure, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) for a period from the effective date of the Automobile Components Sales Agreement to 31 December 2023
“Board”	the board of Directors
“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group, which engages in consumer credit and mortgage lending activities
“Business Day(s)”	the day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBU(s)”	complete buildup unit(s) (整車), a complete vehicle after the final assembly
“CEVT”	a limited liability company incorporated in Sweden and is an indirect subsidiary of ZEEKR as at the Latest Practicable Date
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle

DEFINITIONS

“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions” or “Revision of Annual Caps for Continuing Connected Transactions”	transactions contemplated under the Supplemental Services Agreement and the Supplemental Automobile Components Procurement Agreement
“COVID-19”	novel coronavirus, a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“ECARX”	ECARX Holdings Inc., a limited liability company incorporated in the Cayman Islands and is ultimately and beneficially owned as to 49.14%, 0.76% and 1.11% of the total outstanding shares of ECARX on an as-converted basis by Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, respectively, as at the Latest Practicable Date
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Continuing Connected Transactions (including their respective annual caps)
“EV”	electric vehicle
“Existing Automobile Components Procurement Annual Caps”	the existing automobile components procurement annual cap amounts of the Automobile Components Procurement Agreement for the financial years ending 31 December 2022 and 2023, respectively as stated in the section headed “CONTINUING CONNECTED TRANSACTIONS – (B) Supplemental Automobile Components Procurement Agreement” in this circular
“Existing Services Annual Caps”	the existing services annual cap amounts of the Services Agreement for the financial years ending 31 December 2022, 2023 and 2024, respectively as stated in the section headed “CONTINUING CONNECTED TRANSACTIONS – (A) Supplemental Services Agreement” in this circular
“Geely-Branded”	an automobile brand of the Group

DEFINITIONS

“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate as at the Latest Practicable Date
“Geely Holding Automobile”	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a private limited liability company incorporated in the PRC, and is wholly owned by Geely Holding as at the Latest Practicable Date
“Geely Holding Group”	Geely Holding and its subsidiaries
“GGII”	高工產業研究院 (Gaogong Industry Research Institute*), a research institute based in the PRC, specializes in market research of emerging industries and provides respective consultation services
“Genius AFC”	吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.*), a limited liability company incorporated in the PRC which is owned as to 80% by the Company and as to 20% by BNPP PF as at the Latest Practicable Date. As certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC, Genius AFC is treated as a jointly controlled entity of the Company
“Geely Group Limited”	Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICE”	internal combustion engine
“Independent Board Committee”	the independent committee of the Board, which comprises all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Continuing Connected Transactions
“Independent Financial Adviser”	Ballas Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions

DEFINITIONS

“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Li Dong Hui, Daniel, Mr. Gui Sheng Yue, Mr. An Cong Hui, Ms. Wei Mei, Mr. Gan Jia Yue (as the case maybe) and their respective associates
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	24 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Lifan Technology”	Lifan Technology (Group) Co., Ltd. (力帆科技(集團)股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, the shares of which are listed on Shanghai Stock Exchange (stock code: 601777)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company incorporated in the PRC and owned as to 50%, 20% and 30% by Zhejiang Jirun, Geely Holding and VCI, respectively, as at the Latest Practicable Date
“LYNK & CO-branded”	an automobile brand of the LYNK & CO Group
“LYNK & CO Group”	LYNK & CO and its subsidiaries
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding approximately 42.15% interests in the total issued share capital of the Company as at the Latest Practicable Date
“NEV” or “NEVs”	new energy vehicle(s)
“Ningbo Viridi”	威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd.*), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the ZEEKR as at the Latest Practicable Date
“PBOC”	the People’s Bank of China(中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pre-A Preferred Shares”	Pre-A preferred shares of ZEEKR
“Proper Glory”	Proper Glory Holding Inc., a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited as at the Latest Practicable Date
“Revised Automobile Components Procurement Annual Caps”	the revised automobile components procurement annual cap amounts of the Supplemental Automobile Components Procurement Agreement for the financial years ending 31 December 2022 and 2023, respectively as stated in the section headed “CONTINUING CONNECTED TRANSACTIONS – (B) Supplemental Automobile Components Procurement Agreement” in this circular
“Revised Services Annual Caps”	the revised services annual cap amounts of the Supplemental Services Agreement for the financial years ending 31 December 2022, 2023 and 2024, respectively as stated in the section headed “CONTINUING CONNECTED TRANSACTIONS – (A) Supplemental Services Agreement” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SEK”	Swedish Krona, the lawful currency of Sweden
“Services Agreement”	the master agreement dated 15 October 2021 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 purchase of CBUs by the Group from the Geely Holding Group
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited*), a limited liability company incorporated in the PRC and is 90% owned by Geely Holding as at the Latest Practicable Date
“Shareholder(s)”	holder(s) of the Share(s)
“smart”	智馬達汽車有限公司, a limited liability company established in the PRC and owned as to 50% each by Geely Holding Automobile and a third party, respectively as at the Latest Practicable Date

DEFINITIONS

“smart Brand”	a vehicle brand under the smart Group
“smart Brand Vehicle(s)”	smart-branded vehicle(s) under the joint venture formed by the Geely Holding Automobile and a third party
“smart Cooperation Partners”	the third parties (including independent and connected third parties) involved in the sales of smart Brand Vehicles and related business
“smart Group”	smart together with its subsidiaries
“smart Retail Customer(s)”	retail customers who purchase smart Brand Vehicles from the smart Group or smart Cooperation Partners
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Supplemental Automobile Components Procurement Agreement”	the supplemental automobile components procurement agreement dated 9 September 2022 entered into between the Company and ZEEKR for the Revised Automobile Components Procurement Annual Caps
“Supplemental Services Agreement”	the supplemental services agreement dated 9 September 2022 entered into between the Company and Geely Holding for the Revised Services Annual Caps
“US\$”	United States dollars, the lawful currency of the United States of America
“Value Century”	Value Century Group Limited, a limited liability company incorporated in the British Virgin Islands and is wholly owned by the Company as an investment holding company as at the Latest Practicable Date
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and is an indirect non-wholly owned subsidiary of Geely Holding as at the Latest Practicable Date
“VCDC”	沃爾沃汽車銷售(上海)有限公司 (Volvo Car Distribution (Shanghai) Co., Ltd.*), a limited liability company incorporated in the PRC and is a wholly owned subsidiary of Volvo as at the Latest Practicable Date

DEFINITIONS

“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*), a limited liability company incorporated in the PRC and is a wholly owned subsidiary of Volvo as at the Latest Practicable Date
“VCIC”	沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (APAC) Investment Holding Co., Ltd.*), previously known as 中嘉汽車製造(上海)有限公司 (Zhongjia Automobile Manufacturing (Shanghai) Company Limited*), a limited liability company incorporated in the PRC and is owned as to 50% by Volvo and as to 50% by Geely Holding as at the Latest Practicable Date
“ZEEKR”	ZEEKR Intelligent Technology Holding Limited, a limited liability company established in the Cayman Islands and is an indirect subsidiary of the Company as at the Latest Practicable Date
“ZEEKR Automobile”	極氪汽車(寧波杭州灣新區)有限公司 (ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Co., Ltd.*), previously known as 寧波極氪智能科技有限公司 (Ningbo ZEEKR Intelligent Technology Company Limited*), a limited liability company incorporated in the PRC and is an indirect wholly owned subsidiary of ZEEKR as at the Latest Practicable Date
“ZEEKR-branded”	an automobile brand of the ZEEKR Group
“ZEEKR Group”	ZEEKR together with its subsidiaries
“ZEEKR Shanghai”	極氪汽車(上海)有限公司 (ZEEKR Automobile (Shanghai) Company Limited*), previously known as 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited*) a limited liability company incorporated in the PRC and is a wholly owned subsidiary of ZEEKR as at the Latest Practicable Date
“Zhejiang Fulin”	浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts Company Limited*), a limited liability company incorporated in the PRC and is indirectly wholly owned by the Company as at the Latest Practicable Date
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a limited liability company incorporated in the PRC and is a direct approximately 71% owned subsidiary of Geely Holding as at the Latest Practicable Date

DEFINITIONS

“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate as at the Latest Practicable Date
“Zhejiang Jichuang”	浙江吉創產業發展有限公司 (Zhejiang Jichuang Industrial Development Co., Limited*), a limited liability company incorporated in the PRC and is wholly owned by Geely Holding as at the Latest Practicable Date
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company incorporated in the PRC and is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent

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

LETTER FROM THE BOARD

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei
Mr. Gan Jia Yue

Registered Office:

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

Independent Non-executive Directors:

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

Principal Place of Business in Hong Kong:

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

26 October 2022

To the Shareholders,

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 September 2022 in relation to the Revision of Annual Caps for Continuing Connected Transactions.

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

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

(A) Supplemental Services Agreement

Reference is made to the Company's announcement dated 15 October 2021 in relation to, among others, the Services Agreement. Pursuant to the Services Agreement, (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Group conditionally agreed to purchase CBUs from the Geely Holding Group, for a term of three years from 1 January 2022 to 31 December 2024.

Driven primarily by the increase in the production and operational costs within the automobile sector since the first quarter of 2022, and the increased demand for NEV, the Board envisages that the Existing Services Annual Caps will not be sufficient to meet the Group's requirements. Therefore, on 9 September 2022 (after trading hours), the Company and Geely Holding entered into the Supplemental Services Agreement pursuant to which the parties conditionally agreed to revise the Existing Services Annual Caps for the financial years ending 31 December 2022, 2023 and 2024, to the Revised Services Annual Caps. Save for the Revised Services Annual Caps, the other terms of the Services Agreement remain unchanged.

Principal terms of the Supplemental Services Agreement

Set out below are the principal terms of the Supplemental Services Agreement:

Date

9 September 2022 (after trading hours)

Parties

The Company and Geely Holding

Condition precedent to the Supplemental Services Agreement

The Supplemental Services Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Subject matter

Save for the Revised Services Annual Caps, the other terms of the Services Agreement remain unchanged. Details of the Services Agreement were disclosed in the section headed "CONTINUING CONNECTED TRANSACTIONS – (A) Services Agreement" in the Company's circular dated 16 November 2021.

LETTER FROM THE BOARD

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

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 new energy vehicle subsidies received (in the case of electric vehicles).

Existing Services Annual Caps and Revised Services Annual Caps

The unaudited amount of Existing Services Annual Caps for sale of CKDs by the Group to the Geely Holding Group for the seven months ended 31 July 2022 was RMB52,013 million, which was 56.5% of the Existing Services Annual Caps for sale of CKDs for the financial year ending 31 December 2022.

Set out below are the Existing Services Annual Caps and the Revised Services Annual Caps for sale of CKDs by the Group to the Geely Holding Group:

	For the financial years ending		
	31 December 2022	31 December 2023	31 December 2024
	Million		
Existing Services Annual Caps	RMB92,052	RMB104,298	RMB120,281
<i>Utilization rate of the Existing Services Annual Cap as of 31 July 2022</i>	56.5%	–	–
Revised Services Annual Caps	RMB116,226	RMB136,387	RMB163,930

As at the Latest Practicable Date, the Board confirmed the actual transaction amount of Existing Services Annual caps for sale of CKDs by the Group to the Geely Holding Group has not exceeded the Existing Services Annual Caps for sale of CKDs for the financial year ending 31 December 2022.

Basis of determination of the Revised Services Annual Caps

The Revised Services Annual Caps for sale of CKDs by the Group to the Geely Holding Group were determined with reference to the following factors:

- 1) the revised projected number of units for the use in Geely-Branded vehicles for the three years ending 31 December 2024 account for the majority increase of the estimated number of unit sales for every year. It was in turn determined with reference to the

LETTER FROM THE BOARD

revised annual sales volume targets of the NEV of Geely-Branded vehicles (including existing Geely-Branded vehicles and the new models which are/will be launching in the second half of 2022, 2023 and 2024) for the three years ending 31 December 2024;

- 2) the revised projected average selling price of CBUs to end customers for the three years ending 31 December 2024. In particular, it represents approximately 15% to 25% growth compared to the projected average selling price of CBUs under the Existing Services Annual Caps for the three years ending 31 December 2024. The revised projected average selling price was determined after taking into account the increase in the selling price of CBUs due to optimizing the structure of high-value products and market factors such as higher production costs; and
- 3) the applicable PRC tax rates, the new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2024.

For analysis of the Existing Services Annual Caps for sale of CKDs by the Group to the Geely Holding Group for the year ending 31 December 2022, 2023 and 2024, please refer to “CONTINUING CONNECTED TRANSACTIONS – (A) Services Agreement – (1) Sale of CKDs by the Group to the Geely Holding Group” in the Company’s circular dated 16 November 2021.

(ii) Purchase of CBUs by the Group from the Geely Holding Group

Pricing basis

Pursuant to the Services Agreement, the CBUs, depending on the vehicle models, will be sold to the Group based on the selling prices of CBUs to end customers, less distribution costs.

Existing Services Annual Caps and Revised Services Annual Caps

The unaudited amount of the Existing Services Annual Caps for purchase of CBUs by the Group from the Geely Holding Group for the seven months ended 31 July 2022 was RMB52,113 million, which was 54.6% of the Existing Services Annual Caps for purchase of CBUs for the financial year ending 31 December 2022.

Set out below are the Existing Services Annual Caps and the Revised Services Annual Caps for purchase of CBUs by the Group from the Geely Holding Group:

	For the financial years ending		
	31 December	31 December	31 December
	2022	2023	2024
	Million		
Existing Services Annual Caps	RMB95,467	RMB108,327	RMB124,705

LETTER FROM THE BOARD

	For the financial years ending		
	31 December 2022	31 December 2023	31 December 2024
	Million		
<i>Utilization rate of the Existing Services</i>			
<i>Annual Cap as of 31 July 2022</i>	54.6%	–	–
Revised Services Annual Caps	RMB117,729	RMB141,315	RMB169,577

As at the Latest Practicable Date, the Board confirmed the actual transaction amount of Existing Services Annual caps for purchase of CBUs by the Group from the Geely Holding Group has not exceeded the Existing Services Annual Caps for purchase of CBUs for the financial year ending 31 December 2022.

Basis of determination of the Revised Services Annual Caps

The Revised Services Annual Caps for purchase of CBUs by the Group from the Geely Holding Group were determined with reference to the following:

- 1) the revised projected number of units for the use in Geely-Branded vehicles for the three years ending 31 December 2024 account for the majority increase of the estimated number of unit sales for every year. It was in turn determined with reference to the revised annual sales volume targets of the NEV of Geely-Branded vehicles (including existing Geely-Branded vehicles and the new models which are/will be launching in the second half of 2022, 2023 and 2024) for the three years ending 31 December 2024;
- 2) the revised projected average selling price of CBUs to end customers for the three years ending 31 December 2024. In particular, it represents approximately 15% to 25% growth compared to the projected average selling price of CBUs under the Existing Services Annual Caps for the three years ending 31 December 2024. The revised projected average selling price was determined after taking into account the increase in the selling price of CBUs due to optimizing the structure of high-value products and market factors such as higher production costs; and
- 3) the projected distribution costs for the three years ending 31 December 2024.

For analysis of the Existing Services Annual Caps for purchase of CBUs by the Group from the Geely Holding Group for the year ending 31 December 2022, 2023 and 2024, please refer to “CONTINUING CONNECTED TRANSACTIONS – (A) Services Agreement – (2) Purchase of CBUs by the Group from the Geely Holding Group” in the Company’s circular dated 16 November 2021.

LETTER FROM THE BOARD

The Directors are of the view that the Revised Services Annual Caps for the three years ending 31 December 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and Benefits of Entering into the Supplemental Services Agreement

The Supplemental Services Agreement is being entered into to revise and increase the Existing Services Annual Caps, as the Company expects that the Existing Services Annual Caps will not be sufficient for the remaining term of the Services Agreement. The shortfall of the Existing Services Annual Caps is primarily driven by two key factors, notably (i) forward-looking prospect of NEV; and (ii) impact of macroeconomic conditions on the automobile production costs.

Forward-looking prospect of NEV:

Subject to market prospect and current macroeconomic conditions, market demand for ICE vehicle has been decreasing, while NEV generally receives market support. Evidently, for the first half of 2022, there were 9.8 million units of passengers' vehicles being sold, 6.4 million units of those were ICE vehicles, which represented a 27% decrease comparing to the corresponding period in 2021. Meanwhile, according to GGII, 2.1 million units of NEV have been sold in the first half of 2022, which represented a 111% increase comparing to the corresponding period in 2021^{Note 1}. Driven by market demand of NEV, sales projection of such in 2022 has exceeded the Group's expectations. Thus, the Group is planning to further revise the sales plan with promotion of more new NEV models as its target.

Impact of macroeconomic conditions on the automobile production cost:

Subject to the impact from macroeconomic conditions, automobile market is beset with pressure on the production costs. Coupled with the effects of industry transition from ICE vehicles to NEV, the market in general is experiencing an elevation for the market planning of high-value products. Hence, there is an uprising trend in the average selling price per vehicle in the PRC.

For reasons for and benefits of entering into the Services Agreement for the year ending 31 December 2022, 2023 and 2024, please refer to "CONTINUING CONNECTED TRANSACTIONS – (A) Services Agreement – REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICES AGREEMENT" in the Company's circular dated 16 November 2021. The Board is of the view that there is no specific disadvantage for the Company to enter into the Supplemental Services Agreement and the transactions contemplated thereunder.

Further Information of the Services Agreement

Regulatory requirements

As at the Latest Practicable Date, the Group by itself owns (i) the production facilities and equipment for manufacturing CKDs and the automobile components and parts; and (ii) the research and development

Note 1: <https://www.gg-lb.com/art-45112.html>

LETTER FROM THE BOARD

function regarding the automobile manufacture. As advised by the PRC legal adviser of the Group, the arrangement under the Services Agreement does not violate the relevant laws and regulations in the PRC.

The Services Agreement is entered into for the sole purpose of turning CKDs, which have been manufactured by the Group, into CBUs for which conformity certificates have been obtained and the relevant consumption tax has been paid. This is motivated by regulatory reasons explained as follows:

- According to the Policy on the Development of the Automobile Industry (Revised in 2009) (汽車產業發展政策(2009年修訂)) dated 15 August 2009 published by the Ministry of Industry and Information Technology and National Development Reform Commission of the PRC, and Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) published by the National Development Reform Commission and Ministry of Commerce in 2011, 2015 and 2017, the proportion of shares held by sino shareholders in the PRC automobile manufacturing company shall not be less than 50% (the “**Foreign Investment Restriction**”). As of the Latest Practicable Date, the Group is not qualified as an automobile manufacturer in the PRC and is thus not in control of any automobile catalogue issued by the National Development Reform Commission in the PRC (the “**Automobile Catalogue**”).
- On 28 June 2018, the National Development Reform Commission and Ministry of Commerce of the PRC published the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the “**2018 Negative List**”) which stated that except for special vehicles and new energy vehicles, the proportion of shares held by sino shareholders in the PRC automobile manufacturing company shall not be less than 50%. It is also mentioned in the 2018 Negative List that the Foreign Investment Restriction for manufacturing of mass market vehicles may be relaxed in the year of 2022.
- Although such restriction on foreign automobile manufacturers has been lifted since 1 January 2022, the Group is still required to obtain the approval from the relevant authorities in the PRC. Given the Group is uncertain about when the said approval and the qualification as an automobile manufacturer as well as the Automobile Catalogue will be obtained, the arrangement of Services Agreement serving the purpose that the sale of CKDs is solely for final assembly into CBUs by the Geely Holding Group and the CBUs will be purchased back by the Group for subsequent sale to end customers, is necessary. In addition, the Automobile Catalogue will facilitate the payment of such PRC consumption tax by the Group.

As advised by the Directors, the Group will proactively obtain necessary approval for the Automobile Catalogue from relevant authorities to reduce its reliance on the Geely Holding Group in this regard.

Long-term arrangement and relationship with the Geely Holding Group

Reference is made to the Company’s announcements dated 27 November 2009, 13 November 2015, 18 October 2016, 7 November 2017, 20 November 2018 and 15 October 2021 in relation to the services agreement. The services agreement dated 27 November 2009 served as the first services agreement entered into between the Company and Geely Holding, to support the longstanding business relationship and arrangement for the sale of CKDs and the purchase of CBUs since 2009.

LETTER FROM THE BOARD

The arrangement of the Services Agreement is long-standing and supported by over ten years of cooperation between the Group and the Geely Holding Group. It effectively performs the purpose of turning CKDs, which have been manufactured by the Group, into CBUs for which conformity certificates have been obtained and the relevant consumption tax has been paid. The price paid by the Group to the Geely Holding Group for this arrangement is mainly for covering the costs arising from the relevant consumption tax. Given the specific purpose of this arrangement, satisfactory commercial terms to the Group and long-standing cooperation between the Group and the Geely Holding Group on this front, the Company is of the view that (i) continuing this arrangement is beneficial and in the best interests of the Group, and (ii) the risk of either party terminating this long-standing arrangement is highly unlikely.

In line with year-on-year business development

Reference to the Existing Services Annual Caps and Revised Services Annual Caps, there is an increase of 26.3% and 23.3% for Revised Services Annual Caps of sale of CKDs and purchase of CBUs in 2022 respectively, comparing to their respective Existing Services Annual Caps. Accordingly, this is in line with the percentage increase of revenue of the Group. Based on Company's announcement of interim results for the six months ended 30 June 2022, revenue of six months ended 30 June 2022 was recorded RMB58,184 million, an increase of 29% from the corresponding period in 2021 which was recorded RMB45,032 million.

As such, the Company is of view that the Revised Services Annual Caps serves the business development of the Group, rather than putting its extra reliance on the Geely Holding Group.

Financial effect of the Services Agreement

The Services Agreement was entered into between the Company and Geely Holding. The back-to-back transactions between the sale of CKDs to Geely Holding Group and the purchase of CBUs from the Geely Holding Group, which constituted the net financial effect on the Group, is represented as the service cost of final assembly on the CKDs charged by the Geely Holding Group and the relevant consumption taxes levied on the CBUs upon being sold back to the Group, which are included in the "Cost of sales" in the consolidated income statement of the Group (the "**Net Financial Effect**"), instead of causing any financial impact of the Company's revenue. The Net Financial Effect is also disclosed in the Company's 2021 Annual Report – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 36. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS – (a) Transactions – Notes: (b).

No material reliance of the Group on the Geely Holding Group

The Group is a consolidated subsidiary of the Geely Holding Group with the same ultimate controlling shareholder, being Mr. Li Shufu. The Group has a symbiotic and synergistic long-term relationship with the Geely Holding Group on various levels across different aspects of their businesses, and collaborate holistically to facilitate the growth of each other.

In respect of the Services Agreement, the Group and the Geely Holding Group mutually depend on each other. On the one hand, the Group depends on the Geely Holding Group in the arrangement of the Services Agreement to perform the process of turning CKDs, which have been manufactured by the Group,

LETTER FROM THE BOARD

into CBUs for which conformity certificates have been obtained and the relevant consumption tax has been paid. On the other hand, the Geely Holding Group obtains income from providing such services to the Group.

Given the long-term and mutually beneficial nature of the relationship between the Group and the Geely Holding Group, it is extremely unlikely that such relationship will change or cease. Accordingly, there is no red flag indicating that the relationship of the Group with the Geely Holding Group, being its parent company, is likely to be terminated or otherwise materially adversely change.

In conclusion, based on the above analysis, the Company is of the view that the Supplemental Services Agreement will not give rise to any material reliance issue of the Group. Having said that, the Group currently expects to proactively obtain necessary approval from the relevant authorities for the Automobile Catalogue to reduce its dependence on the Geely Holding Group in this regard.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE SERVICES AGREEMENT

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

For the sale 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 are being implemented in accordance with the pricing policies of the Services Agreement. The Group and the Geely Holding Group will negotiate on a 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) Purchase of CBUs by the Group from the Geely Holding Group

For the purchase 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 of the Services Agreement.

(B) Supplemental Automobile Components Procurement Agreement

Reference is made to the Company's announcement dated 2 July 2021 in relation to, among others, the Automobile Components Procurement Agreement. Pursuant to the Automobile Components Procurement Agreement, the Group conditionally agreed to procure, and the ZEEKR Group conditionally agreed to

LETTER FROM THE BOARD

supply, automobile components for a period from the effective date of the Automobile Components Procurement Agreement to 31 December 2023. Such automobile components procured by the Group are mainly for use in the manufacturing of Geely-Branded vehicles.

Given the continuous increase of production costs in the automobile industry and a surge in demand for NEV, the Board envisages that the Existing Automobile Components Procurement Annual Caps will not be sufficient to meet the Group's requirements. Therefore, on 9 September 2022 (after trading hours), the Company and ZEEKR entered into the Supplemental Automobile Components Procurement Agreement, pursuant to which the parties conditionally agreed to revise the Existing Automobile Components Procurement Annual Caps for the financial years ending 31 December 2022 and 2023, to the Revised Automobile Components Procurement Annual Caps. Save for the Revised Automobile Components Procurement Annual Caps, the other terms of the Automobile Components Procurement Agreement remain unchanged.

Principal terms of the Supplemental Automobile Components Procurement Agreement

Set out below are the principal terms of the Supplemental Automobile Components Procurement Agreement:

Date

9 September 2022 (after trading hours)

Parties

The Company and ZEEKR

Condition precedent to the Supplemental Automobile Components Procurement Agreement

The Supplemental Automobile Components Procurement Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Subject matter

Save for the Revised Automobile Components Procurement Annual Caps, the other terms of the Automobile Components Procurement Agreement remain unchanged. Details of the Automobile Components Procurement Agreement were disclosed in the section headed "(II) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS AND THE NINGBO VIRIDI SUBSCRIPTION – (C) Automobile Components Procurement Agreement" in the Company's circular dated 5 August 2021.

LETTER FROM THE BOARD

Pricing basis

The selling price of the automobile components under the Automobile Components Procurement Agreement 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 less favorable to the Group than terms available from other Independent Third Party suppliers to the Group or terms available to the ZEEKR Group from other Independent Third Party customers.

Existing Automobile Components Procurement Annual Caps and Revised Automobile Components Procurement Annual Caps

The unaudited amount of the Existing Automobile Components Procurement Annual Caps for the seven months ended 31 July 2022 was RMB915 million, which was approximately 74.8% of the Existing Automobile Components Procurement Annual Caps for the financial year ending 31 December 2022.

Set out below are the Existing Automobile Components Procurement Annual Caps and the Revised Automobile Components Procurement Annual Caps:

	For the financial years ending	
	31 December 2022	31 December 2023
	Million	
Existing Automobile Components Procurement Annual Caps	RMB1,224	RMB1,411
<i>Utilization rate of the Existing Automobile Components Procurement Annual Cap as of 31 July 2022</i>	74.8%	–
Revised Automobile Components Procurement Annual Caps	RMB3,749	RMB3,942

As at the Latest Practicable Date, the Board confirmed the actual transaction amount of Existing Automobile Components Procurement Annual Caps has not exceeded the Existing Automobile Components Procurement Annual Caps for the financial year ending 31 December 2022.

Basis of determination of the Revised Automobile Components Procurement Annual Caps

The Revised Automobile Components Procurement Annual Caps were determined with reference to the following:

- 1) the revised projected number of units of each model of automobile components for the use in Geely-Branded vehicles, in particular the NEV of Geely-Branded vehicles for the two years ending 31 December 2023, after taking into account the expected increase in demand for NEV under Geely-Branded vehicles and the respective battery demand of the Group;

LETTER FROM THE BOARD

- 2) the revised projected unit sales of the Geely-Branded vehicles, in particular the NEV of Geely-Branded vehicles, which are manufactured with the aforesaid automobile components for the two years ending 31 December 2023 after taking into account the revised sales projection of the NEV of Geely-Branded vehicles including the launching of vehicle models in the second half of 2022 and 2023; and
- 3) the revised projected average unit selling price for each model of automobile components, in particular for NEV of Geely-Branded vehicles, which are determined with reference to the prevailing selling price of similar automobile components obtained from a few leading Independent Third Party suppliers for the two years ending 31 December 2023.

The Directors are of the view that the Revised Automobile Components Procurement Annual Caps for the two years ending 31 December 2023 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For analysis of the Existing Automobile Components Procurement Annual Caps for the years ending 31 December 2022 and 2023, please refer to “(II) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS AND THE NINGBO VIRIDI SUBSCRIPTION – (C) Automobile Components Procurement Agreement” in the Company’s circular dated 5 August 2021.

Reasons for and Benefits of Entering into the Supplemental Automobile Components Procurement Agreement

The Supplemental Automobile Components Procurement Agreement is being entered into to revise and increase the Existing Automobile Components Procurement Annual Caps, as the Company expects that the Existing Automobile Components Procurement Annual Caps will not be sufficient for the remaining term of the Automobile Components Procurement Agreement. The shortfall of the Existing Automobile Components Procurement Annual Caps is primarily driven by three key factors, namely (i) positive market prospect of NEV arisen from current macroeconomic conditions, (ii) the interrelationship of NEV sales projection and battery demand of the Group, and (iii) surge in the costs of automobile batteries.

Positive market prospect of NEV arisen from current macroeconomic conditions:

Driven by the macroeconomic conditions, the international oil price responded with a dramatic increase. In addition, given the regulatory discouragement on license applications and shortage of automobile components supply of ICE vehicles, consumers are shifting towards hybrid vehicles and EV for cost consideration. Thus, NEV is foreseen to continue its leading role in the development of automobile industry.

The interrelationship of NEV sales projection and battery demand of the Group:

Considering the increasing market demand for NEV has exceeded the Group’s respective sales projection of 2022 and an introduction of new hybrid vehicle model of the Group in the second quarter of 2022, demand for battery and components from major automobile battery suppliers, i.e., Ningbo Viridi in this case, surges accordingly.

LETTER FROM THE BOARD

Surge in the costs of automobile batteries:

In terms of automobile battery production, the costs of key components and raw materials for automobile battery production such as chip, ternary cathode material, precursor, lithium iron phosphate, conductive agent have significantly increased. In particular, (i) COVID-19 has exerted an upward pressure on the costs of key components and raw materials in early 2022, and (ii) the costs of chips, being a key component for automobile battery production, have also surged as a result of continuous shortage of chips supply in the market.

For reasons for and benefits of entering into the Automobile Components Procurement Agreement for the years ending 31 December 2022 and 2023, please refer to “(II) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS AND THE NINGBO VIRIDI SUBSCRIPTION – (C) Automobile Components Procurement Agreement – Reasons for and Benefits of Entering into the Automobile Components Sales Agreement and Automobile Components Procurement Agreement” in the Company’s circular dated 5 August 2021. The Board is of the view that there is no specific disadvantage for the Company to enter into the Supplemental Automobile Components Procurement Agreement and the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE AUTOMOBILE COMPONENTS PROCUREMENT AGREEMENT

In order to ensure that the aforesaid pricing basis for the Automobile Components Procurement Agreement is adhered to, the Group will conduct the following internal control measures:

- 1) obtain price quotation from one to three Independent Third Party supplier(s) as market reference, which the Independent Third Party suppliers are all leading market players and their supplies constitute significant market share, to ensure the selling price of the relevant automobile components to be supplied by the ZEEKR Group are determined properly and set with reference to the prevailing market price. The number of quotations obtained by the Group will be subject to (1) the comparability of the relevant automobile components, (2) the market share of each Independent Third Party supplier, and (3) difficulty in the process of obtaining the quotations. Considering the above factors, the Directors are of the view that the number of price quotation(s) obtained by the Group are commercially sufficient and reasonable;
- 2) negotiations of the terms amongst departments, such as procurement, sales and marketing and finance, between the Group and the ZEEKR Group will be conducted, following by the final approval received from the management of the Group, before mandating the agreement;
- 3) the Group and the finance department of the ZEEKR Group will review (i) the scope of automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) to be sold by the ZEEKR Group to the Group, and (ii) pricing basis of the Automobile Components Procurement Agreement, on an annual basis (or more frequently if it is determined necessary); and

LETTER FROM THE BOARD

- 4) the transactions under the Automobile Components Procurement Agreement will be supervised and inspected by the Group annually to ensure that the transactions are carried out on normal commercial terms and ensure they are no less favorable than those offered by Independent Third Party suppliers. Otherwise, the Group will enter the transactions with Independent Third Party suppliers or further negotiate with the ZEEKR Group to ensure the transactions are carried out under more favorable terms to the Group.

INFORMATION REGARDING THE PARTIES

The Company

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

Geely Holding

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

ZEEKR

ZEEKR is a limited liability company established in the Cayman Islands and as at the Latest Practicable Date, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and is owned as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is principally engaged in the research and development, purchase and sale of the electric mobility related products such as the premium intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto.

LISTING RULES IMPLICATIONS

(A) Supplemental Services Agreement

As at the Latest Practicable Date, Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.15% of the issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company for the purpose of the Listing Rules. The transactions contemplated under the Supplemental Services Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

(B) Supplemental Automobile Components Procurement Agreement

As at the Latest Practicable Date, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and is owned as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is hence a connected subsidiary of the Company. As such, the transactions contemplated under the Supplemental Automobile Components Procurement Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of (i) the proposed annual caps for the Supplemental Services Agreement; and (ii) the proposed annual caps aggregated under the Supplemental Automobile Components Procurement Agreement and the Automobile Components Sales Agreement exceed 5% on an annual basis, the transactions contemplated under the Supplemental Services Agreement and the Supplemental Automobile Components Procurement Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules respectively.

Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Continuing Connected Transactions by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving the Continuing Connected Transactions. In addition, Mr. Gui Sheng Yue, Ms. Wei Mei and Mr. Gan Jia Yue, each an executive Director, are considered to be interested in the Supplemental Automobile Components Procurement Agreement by virtue of their interests and/or directorship in ZEEKR. As a result, each of Mr. Gui Sheng Yue, Ms. Wei Mei and Mr. Gan Jia Yue has abstained from voting on the Board resolution for approving the Supplemental Automobile Components Procurement Agreement.

Mr. Li and his associates together holding 4,239,028,000 Shares (representing approximately 42.15% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company), Mr. Li Dong Hui, Daniel and his associates together holding 5,004,000 Shares (representing approximately 0.05% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company), and Mr. An Cong Hui and his associates together holding 7,876,000 Shares (representing approximately 0.08% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions. In addition, Mr. Gui Sheng Yue and his associates together holding 17,877,000 Shares (representing approximately 0.18% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company) and Mr. Gan Jia Yue and his associates together holding 2,230,200 Shares (representing approximately 0.02% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company) as at the Latest Practicable Date, will all abstain from voting on the resolution to be proposed at the EGM to approve the Supplemental Automobile Components Procurement Agreement.

LETTER FROM THE BOARD

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

EGM

The EGM will be convened to consider and approve the Continuing Connected Transactions. A notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The EGM will be held at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 11 November 2022 at 4:00 p.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

RECOMMENDATION

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

The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 51 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 26 to 27 of this circular.

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

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, which are respectively set out on pages 26 to 27 and pages 28 to 51 of this circular. Additional information is also set out in the Appendix I to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

26 October 2022

To the Independent Shareholders,

Dear Sir or Madam,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 26 October 2022 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as an Independent Shareholder whether the Independent Board Committee is of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 9 to 25 of the Circular and the letter from the Independent Financial Adviser as set out on pages 28 to 51 of the Circular which contains, inter alia, their advice and recommendation to us regarding the terms of the Continuing Connected Transactions with the principal factors and reasons for those advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

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

Yours faithfully,

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

Mr. An Qing Heng

Mr. Wang Yang

Ms. Lam Yin Shan, Jocelyn

Ms. Gao Jie

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



5/F Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

26 October 2022

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

REVISION OF ANNUAL CAPS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions in relation to (i) the Supplemental Services Agreement; and (ii) the Supplemental Automobile Components Procurement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 26 October 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, driven primarily by the increase in the production and operational costs within the automobile sector since the first quarter of 2022, and the increased demand for NEV, the Board envisages that the Existing Services Annual Caps will not be sufficient to meet the Group’s requirements. Accordingly, the Board resolved on 9 September 2022 (after trading hours) to enter into the Supplemental Services Agreement with Geely Holding to increase the annual caps for (a) the sale of CKDs by the Group to the Geely Holding Group (the “**CKDs Transactions**”) for the three years ending 31 December 2024 from approximately RMB92,052 million, RMB104,298 million and RMB120,281 million to approximately RMB116,226 million, RMB136,387 million and RMB163,930 million, respectively; and (b) the purchase of CBUs by the Group from the Geely Holding Group (the “**CBUs Transactions**”) for the three years ending 31 December 2024 from approximately RMB95,467 million, RMB108,327 million and RMB124,705 million to approximately RMB117,729 million, RMB141,315 million and RMB169,577 million, respectively. Save for the Revised Services Annual Caps under the Supplemental Services Agreement, the other terms of the Services Agreement remain unchanged.

As set out in the Letter from the Board, given the continuous increase of production costs in the automobile industry and a surge in demand for NEV, the Board envisages that the Existing Automobile Components Procurement Annual Caps will not be sufficient to meet the Group’s requirements. Accordingly, the Board resolved on 9 September 2022 (after trading hours) to enter into the Supplemental Automobile Components Procurement Agreement with ZEEKR to increase the annual caps for the procurement of automobile components by the Group from the ZEEKR Group for the two years ending 31 December 2023 from approximately RMB1,224 million and RMB1,411 million to approximately

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RMB3,749 million and RMB3,942 million, respectively. Save for the Revised Automobile Components Procurement Annual Caps under the Supplemental Automobile Components Procurement Agreement, the other terms of the Automobile Components Procurement Agreement remain unchanged.

As at the Latest Practicable Date, Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.15% of the issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company for the purpose of the Listing Rules. The transactions contemplated under the Supplemental Services Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and is owned as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is hence a connected subsidiary of the Company. As such, the transactions contemplated under the Supplemental Automobile Components Procurement Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the (i) proposed annual caps for the Supplemental Services Agreement; and (ii) the proposed annual caps aggregated under the Supplemental Automobile Components Procurement Agreement and the Automobile Components Sales Agreement exceed 5% on an annual basis, the transactions contemplated under the Supplemental Services Agreement and the Supplemental Automobile Components Procurement Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules respectively.

The Independent Board Committee, comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the transactions contemplated under (i) the Supplemental Services Agreement; and (ii) the Supplemental Automobile Components Procurement Agreement (collectively, the “**Continuing Connected Transactions**”) (including their respective revised annual caps).

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Continuing Connected Transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to the Acquisitions, the Ningbo Viridi Subscription and certain continuing connected transactions as disclosed and defined in the circular of the Company dated 5 August 2021; (ii) the appointment as the independent financial adviser in relation to certain continuing connected transactions as disclosed in the circular of the Company dated 16 November 2021; (iii) the appointment as the independent financial adviser in relation to the acquisition of shares of ZEEKR as disclosed in the circular of the Company dated 30 November 2021; and (iv) this appointment as the independent financial adviser in relation to the Supplemental Services Agreement and the Supplemental Automobile Components Procurement Agreement, we did not have any other relationship with or interests in the Company, the counterparties of the Continuing Connected Transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that

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could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the terms of the Continuing Connected Transactions.

BASIS OF OUR OPINION

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

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group and the counterparties

1.1. Background of the Group, and the counterparties of the Continuing Connected Transactions

The Group

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

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Geely Holding

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

ZEEKR

ZEEKR is principally engaged in the research and development, purchase and sale of the electric mobility related products such as the intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto. As at the Latest Practicable Date, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and is owned as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is hence a connected subsidiary of the Company.

1.2. Historical financial performance of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2020 (“**FY2020**”) and 2021 (“**FY2021**”) and the six months ended 30 June 2021 and 2022 (“**6M2021**” and “**6M2022**”) as extracted from the Company’s respective financial reports.

	FY2020	FY2021	6M2021	6M2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Sales of automobiles and related services	83,814	87,697	39,312	49,203
– Sales of automobile parts and components	6,989	8,799	4,636	4,727
– Sales of battery packs and related parts	–	589	–	1,687
– Research and development and related technological support services	745	3,251	447	1,839
– Licensing of intellectual properties	566	1,275	637	728
Total revenue	92,114	101,611	45,032	58,184
Gross profit	14,737	17,412	7,759	8,476
Profit attributable to equity holders	5,534	4,847	2,381	1,552

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6M2022 vs 6M2021

As disclosed in the interim report of the Company for the six months ended 30 June 2022, the Group sold a total of 613,845 units in 6M2022, representing a slight decline of 3% from 6M2021. The Group's total revenue increased by 29% to RMB58.2 billion in 6M2022 as better product pricing and product mix more than offset that decline in sales volume. The Group's total sales volume in China market decreased by 9% in 6M2022, whilst its export sales volume surged by 64% in 6M2022, helped by the strong recovery of demand in the Group's major export markets as the impact of COVID-19 temporarily subsided. The Group's gross margin ratio in 6M2022 decreased by 2.6 percentage points to 14.6%, which was negatively affected by the higher raw material costs and the increase in the proportion of new energy vehicles. The Group's profit attributable to equity holders decreased by 35% to RMB1.6 billion in 6M2022, contributed by higher amortisation expenses as a result of substantial investment in research and development over the past years, relatively high operating costs of ZEEKR during its early stage development and the recognition of share-based expenses during the period.

FY2021 vs FY2020

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

1.3. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 June 2022 as extracted from interim report of the Company for the six months ended 30 June 2022.

	As at 30 June 2022
	<i>RMB'million</i>
	<i>(Unaudited)</i>
Non-current assets	73,051
Current assets	67,748
Non-current liabilities	9,551
Current liabilities	58,719
Net assets	72,529

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As at 30 June 2022, total assets of the Group amounted to approximately RMB140.8 billion, which mainly comprised (i) bank balances and cash of approximately RMB37.6 billion; (ii) property, plant and equipment of approximately RMB32.4 billion; (iii) trade and other receivables of approximately RMB23.3 billion; and (iv) intangible assets of approximately RMB21.3 billion.

As at 30 June 2022, total liabilities of the Group amounted to approximately RMB68.3 billion, which mainly comprised (i) trade and other payables of approximately RMB53.4 billion; (ii) loans from related companies of approximately RMB7.5 billion; and (iii) bank borrowings of approximately RMB2.9 billion.

As at 30 June 2022, the Group recorded net assets of approximately RMB72.5 billion.

2. Revision of annual caps under the Supplemental Services Agreement

2.1. Background

Reference is made to the Company's announcement dated 15 October 2021 and circular dated 16 November 2021 in relation to, among others, the Services Agreement. Pursuant to the existing Services Agreement, (i) the Group agreed to sell CKDs to the Geely Holding Group; and (ii) the Group agreed to purchase CBUs from the Geely Holding Group, for a term of three years from 1 January 2022 to 31 December 2024.

Driven primarily by the increase in the production and operational costs within the automobile sector since the first quarter of 2022, and the increased demand for NEV, the Board envisages that the Existing Services Annual Caps will not be sufficient to meet the Group's requirements. Accordingly, the Board resolved on 9 September 2022 (after trading hours) to enter into the Supplemental Services Agreement with Geely Holding to increase the annual caps for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group for the three years ending 31 December 2024. Save for the Revised Services Annual Caps under the Supplemental Services Agreement, the other terms of the Services Agreement remain unchanged.

2.2. Principal terms of the Supplemental Services Agreement

Set out below are the principal terms of the Supplemental Services Agreement:

Date

9 September 2022 (after trading hours)

Parties

The Company and Geely Holding

Condition precedent to the Supplemental Services Agreement

The Supplemental Services Agreement is conditional upon approval by the Independent Shareholders at the EGM.

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Subject matter

Save for the Revised Services Annual Caps under the Supplemental Services Agreement, the other terms of the Services Agreement remain unchanged, which were set out in the circular of the Company dated 16 November 2021 and set out below for reference.

(1) CKDs Transactions

Subject matter

Pursuant to the Services Agreement, the Group agreed to sell, and the Geely Holding Group agreed to purchase, CKDs manufactured by the Group. The CKDs Transactions 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 Group than terms available to or from (as applicable) other independent third parties.

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 new energy vehicle subsidies received (in the case of electric vehicles).

Internal control measures

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 NEV 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 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.

We have obtained and reviewed the internal control report of the Company for the year ended 31 December 2021 (the “**Internal Control Report**”) prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps (including the Existing Services Annual Caps); and (ii) the implementation of the pricing policies for its continuing connected transactions (including the CKDs Transactions).

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(2) CBUs Transactions

Subject matter

Pursuant to the Services Agreement, the Group agreed to purchase, and the Geely Holding Group agreed to sell, CBUs. The CBUs Transactions 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 Group than terms available to or from (as applicable) other independent third parties to the Group.

Pricing basis

Pursuant to the Services Agreement, the CBUs, depending on the vehicle models, will be sold to the Group based on the selling prices of CBUs to end customers, less distribution costs.

Internal control measures

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.

We have obtained and reviewed the Internal Control Report prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps (including the Existing Services Annual Caps); and (ii) the implementation of the pricing policies for its continuing connected transactions (including the CBUs Transactions).

Analysis

With respect to the pricing policies of the CKDs Transactions and the CBUs Transactions as described in the sub-sections “pricing basis” above, we have (i) performed desktop research on the selling price of Geely-Branded vehicle models and noted that the selling prices to end customers used in the calculation were in line with the prevailing selling prices; (ii) reviewed the subsidies applied to the vehicle models, noting that subsidies are mainly for electric vehicles, and such subsidies are determined in accordance with the subsidy policies of the PRC government for new energy vehicles; (iii) reviewed the calculation in projecting distribution costs of the Group, which is based on approximately 5.4% of the selling price of the relevant vehicle to end customers, which represents the average historical percentage of distribution and selling expenses relative to the total sales of the Group for the three years ended 31 December 2019, 2020 and 2021; (iv) reviewed the distribution costs expected to be incurred by dealers, which is derived from the historical gross profit margin of

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dealers; (v) performed desktop research on the value-added tax rates, noting that the value-added tax adopted by the Group of approximately 13% is consistent with the prevailing value-added tax rate in the PRC; (vi) reviewed the vehicle tax rates adopted by the Group, which include relevant stamp duties, additional tax and consumption vehicle tax, which we note they vary according to the engine displacement of each vehicle model, where higher tax rates are generally applied to vehicle models with larger engine displacements.

By deducting the necessary costs and/or expenses incurred by the Group and the Geely Holding Group at each stage from the selling price of CBUs to end customers, the pricing process of the CKDs Transactions and CBUs Transactions ensure that the manufacturing companies of the Group retain whole amount of profits generated from selling CBUs to end customers. As such, the Directors are of the view and we concur that such pricing policy is fair and reasonable.

Based on our review of the Group's internal control procedures in respect of the CKDs Transactions and the CBUs Transactions as set out in the sub-sections "*Internal control measures*" above, we note that the pricing policies of the CKDs Transactions and the CBUs Transactions are implemented and monitored through the combined efforts of the Group's sales, operation and finance departments, and the internal control procedures cater for each step of the pricing process to ensure that the fairness of the selling price of the CBUs and the CKDs. As stipulated in the internal control procedures of the Group, the pricing and cost components for each step of the pricing process (including (i) the selling price of the CBUs to end customers, (ii) distribution costs, (iii) subsidies; (iv) tax rates; and (v) other necessary expenses), are determined and reviewed by the Group's sales and operation departments, which are subject to further review by the Group's finance department to ensure that the continuing connected transactions are implemented in accordance with pricing policies. From our review of the Internal Control Report prepared by the finance department of the Group, we note that the Group performs checking on the CKDs Transactions and CBUs Transactions, including performing checks on the relevant price and cost components of each step of the pricing process, to check and conclude that the pricing policies for the CKDs Transactions and the CBUs Transactions are adhered to by the Group.

Taking into account the above and based on our review of the pricing policies and internal control procedures of the Group, which cater for each step of the pricing process of the CKDs Transactions and CBUs Transactions, we are of the view that the Group's pricing policies are appropriate and the Group has appropriate internal control measures in place to ensure that the pricings of the CBUs Transactions and the CKDs Transactions are determined on normal commercial terms.

2.3. Reasons for and benefits of entering into the Supplemental Services Agreement

As set out in the circular of the Company dated 16 November 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. Pursuant to the Services Agreement, the Existing Services Annual Caps were determined at (i) approximately RMB92,052 million,

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RMB104,298 million and RMB120,281 million for the CKDs Transactions for the three years ending 31 December 2024; and (ii) approximately RMB95,467 million, RMB108,327 million and RMB124,705 million for the CBUs Transactions for the three years ending 31 December 2024.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Group by itself owns (i) the production facilities and equipment for manufacturing CKDs and the automobile components and parts; and (ii) the research and development function regarding the automobile manufacture. As advised by the PRC legal adviser of the Group, the arrangement under the Services Agreement does not violate the relevant laws and regulations in the PRC.

As set out in the Letter from the Board, as of the Latest Practicable Date, the Group is not qualified as an automobile manufacturer in the PRC and is thus not in control of any automobile catalogue issued by the National Development Reform Commission in the PRC (the “Automobile Catalogue”). Though the restriction on foreign automobile manufacturers has been lifted since 1 January 2022, the Group is still required to obtain the approval from the relevant authorities in the PRC. Given the Group is uncertain about when the said approval and the qualification as an automobile manufacturer as well as the Automobile Catalogue will be obtained, the arrangement of Services Agreement serving the purpose that the sale of CKDs is solely for final assembly into CBUs by the Geely Holding Group and the CBUs will be purchased back by the Group for subsequent sale to end customers, is necessary. In addition, the Automobile Catalogue will facilitate the payment of the PRC consumption tax by the Group. As advised by the Directors, the Group will proactively obtain necessary approval for the Automobile Catalogue from relevant authorities to reduce its reliance on the Geely Holding Group in this regard.

Furthermore, as set out in the Letter from the Board, the arrangement of the Services Agreement is long-standing and supported by over ten years of cooperation between the Group and the Geely Holding Group. It effectively performs the purpose of turning CKDs, which have been manufactured by the Group, into CBUs for which conformity certificates have been obtained and the relevant consumption tax has been paid. The price paid by the Group to the Geely Holding Group for this arrangement is mainly for covering the costs arising from the relevant consumption tax. Given the specific purpose of this arrangement, satisfactory commercial terms to the Group and long-standing cooperation between the Group and the Geely Holding Group on this front, the Company is of the view that (i) continuing this arrangement is beneficial and in the best interests of the Group, and (ii) the risk of either party terminating this long-standing arrangement is highly unlikely. In addition, as set out in the Letter from the Board, the Revised Services Annual Caps serves the business development of the Group, rather than putting extra reliance on the Geely Holding Group, taking into account that the increase of the Revised Services Annual Caps as compared to the Existing Services Annual Caps of approximately 26.3% and 23.3% for the sale of CKDs and purchase of CBUs in 2022, respectively, is in line with the percentage increase of revenue of the Group for the six months ended 30 June 2022 of approximately 29% as compared to the corresponding period in 2021. Given the long-term and mutually beneficial nature of the relationship between the Group and the Geely Holding Group, it is extremely unlikely that such relationship will change or cease. Accordingly, there is no red flag indicating that the relationship of the Group with the Geely Holding Group, being its parent company, is likely to be terminated or otherwise materially adversely change.

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The Supplemental Services Agreement is being entered into to revise and increase the Existing Services Annual Caps, as the Company expects that the Existing Services Annual Caps will not be sufficient for the remaining term of the Services Agreement. The shortfall of the Existing Services Annual Caps is primarily driven by two key factors, notably (i) forward-looking prospect of NEV; and (ii) impact of macroeconomic conditions on the automobile production costs.

Forward-looking prospect of NEV: Subject to market prospect and current macroeconomic conditions, market demand for ICE vehicle has been decreasing, while NEV generally receives market support. Evidently, for the first half of 2022, there were 9.8 million units of passengers' vehicles being sold, 6.4 million units of those were ICE vehicles, which represented a 27% decrease compared to the corresponding period in 2021. Meanwhile, according to GGII, 2.1 million units of NEV have been sold in the first half of 2022, which represented a 111% increase comparing to the corresponding period in 2021^{Note 1}. Driven by market demand of NEV, sales projection of such in 2022 has exceeded the Group's expectations. Thus, the Group is planning to further revise the sales plan with promotion of more new NEV models as its target.

Impact of macroeconomic conditions on the automobile production costs: Subject to the impact from macroeconomic conditions, automobile market is beset with pressure on the production costs. Coupled with the effects of industry transition from ICE vehicles to NEV, the market in general is experiencing an elevation for the market planning of high-value products. Hence, there is an uprising trend in the average selling price per vehicle in the PRC.

The Board is of the view that there is no specific disadvantage for the Company to enter into the Supplemental Services Agreement and the transactions contemplated thereunder.

Having considered the above, the reasons for and benefits of the Services Agreement as set out in the circular of the Company dated 16 November 2021, and our analysis on the major terms of the Supplemental Services Agreement (which revises the annual caps under the Services Agreement with the other terms remaining unchanged), we are of the view that the entering into of the Supplemental Services Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

2.4. Fairness and reasonableness of the Revised Services Annual Caps

Historical transaction amounts and Existing Services Annual Caps

The table below sets out (i) the historical transaction amounts for the CKDs Transactions and the CBU's Transactions for the seven months ended 31 July 2022; and (ii) the Existing Services Annual Caps:

	Historical transaction amount <i>RMB'million</i>	Existing Services Annual Caps for the year ending 31 December		
		2022 <i>RMB'million</i>	2023 <i>RMB'million</i>	2024 <i>RMB'million</i>
The CKDs Transactions	52,013	92,052	104,298	120,281
Utilisation rate as of 31 July 2022	56.5%			

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	Historical transaction amount	Existing Services Annual Caps for the year ending 31 December		
	<i>RMB'million</i>	2022 <i>RMB'million</i>	2023 <i>RMB'million</i>	2024 <i>RMB'million</i>
The CBUs Transactions	52,113	95,467	108,327	124,705
<i>Utilisation rate as of 31 July 2022</i>	54.6%			

Note: Utilisation rate of the annual caps for 2022 was calculated by dividing the historical transaction amount for the seven months ended 31 July 2022 by the existing annual cap for the year ending 31 December 2022.

As at the Latest Practicable Date, the Board confirmed the actual transaction amounts of Existing Services Annual Caps for sale of CKDs by the Group to the Geely Holding Group and purchase of CBUs by the Group from the Geely Holding Group have not exceeded the Existing Services Annual Caps for sale of CKDs and purchase of CBUs, respectively, for the financial year ending 31 December 2022.

Revised Services Annual Caps

The table below sets out the Revised Services Annual Caps for the three years ending 31 December 2024:

	Revised Services Annual Caps for the year ending 31 December		
	2022 <i>RMB'million</i>	2023 <i>RMB'million</i>	2024 <i>RMB'million</i>
The CKDs Transactions	116,226	136,387	163,930
The CBUs Transactions	117,729	141,315	169,577

As set out in the Letter from the Board, the Revised Services Annual Caps for the CKDs Transactions and the CBUs Transactions were determined with reference to (i) the revised projected number of units for the use in Geely-Branded vehicles for the three years ending 31 December 2024 account for the majority increase of the estimated number of unit sales for every year. It was in turn determined with reference to the revised annual sales volume targets of the NEV of Geely-Branded vehicles (including existing Geely-Branded vehicles and the new models which are/will be launching in the second half of 2022, 2023 and 2024) for the three years ending 31 December 2024; (ii) the revised projected average selling price of CBUs to end customers for the three years ending 31 December 2024. In particular, it represents approximately 15% to 25% growth compared to the projected average selling price of CBUs under the Existing Services Annual Caps for the three years ending 31 December 2024. The revised projected average selling price was determined after taking into account the increase in the selling price of CBUs due to optimizing the structure of high-value products and market factors such as higher production costs; and (iii) the applicable tax rates, new energy vehicle subsidies and projected distribution costs and other necessary expenses for the three years ending 31 December 2024.

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In assessing the fairness and reasonableness of the Revised Services Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed the revised sales projection in respect of the CKDs Transactions and the CBUs Transactions for the three years ending 31 December 2024 prepared by the Group. We note that the increase in the annual caps for the CKDs Transactions and the CBUs Transactions for the year ending 31 December 2022 are mainly contributed by (i) the increase in the projected sales volume target of certain vehicle models (including new energy vehicles) in 2022; and (ii) upward adjustment of estimated vehicle selling price in 2022. From our review of the underlying calculations, we note that the projected average selling price of CBUs under the Revised Services Annual Caps increased by around 15% to 25% compared to the projected average selling price under the Existing Services Annual Caps. We understand from management of the Company that the upward adjustment in the projected average selling price of CBUs under the Revised Services Annual Caps was contributed by market factors such as higher production costs, expected customer demand, and optimising the prices of certain vehicles according to the Group's strategy. We note that the upward adjustment in the projected average selling price of CBUs under the Revised Services Annual Caps is generally in line with the increase in the Group's average selling price by approximately 21% from 6M2021 to 6M2022, as disclosed in the Company's presentation on 2022 interim results. Furthermore, we have performed desktop research on the current selling price of certain Geely-Branded vehicle models, noting that the selling prices of the CBUs to end customers adopted in the calculation of the Revised Services Annual Caps were in line with the prevailing selling prices.

The increase in the Revised Services Annual Caps for the CKDs Transactions and the CBUs Transactions for the years ending 31 December 2023 and 2024 are mainly attributable to the expected increase in production and sales volume of new vehicle models (including new energy vehicles) that are scheduled to be launched in the market in 2023 and 2024.

In assessing the fairness and reasonableness of the Revised Services Annual Caps, we have also reviewed (i) the recent sales performance of the Group, which the Group's revenue for 6M2022 increased by approximately 29% as compared to that for 6M2021, contributed by higher product pricing; (ii) the overall sales plan of the Group from 2022 to 2024 taking into account the sales prospect of NEV; (iii) the list of new vehicle models that are expected to be launched by the Group for the two years ending 31 December 2024; (iv) the estimated selling price to end customers for each of the vehicle models of the Group for the three years ending 31 December 2024; and (v) the applicable PRC tax rates, the new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2024.

In assessing the fairness and reasonableness of the Revised Services Annual Caps, we have considered the overall sales plan of the Group that includes the projected unit sales of the Group from 2022 to 2024, being a key component in determining the amount of CKDs Transactions and CBUs Transactions from 2022 to 2024. Based on our review of the underlying calculations of the Revised Services Annual Caps, we note that the projected unit sales as applied by the Group in determining the Revised Services Annual Caps is consistent with the projected units in the Group's sales plan. Based on our discussion with the management of the Company, we understand that the Group's sales plan (including the projected unit sales) for the three years ending 31 December 2024 was determined with

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reference to factors including expected customer demand (after taking into account the sales prospect of NEV), sales volume targets, product life cycle, the Group's operational data, the strategy and business performance of the Group and possible market fluctuations. We understand from management of the Company that the Group's sales plan represents its best estimate of the projected unit sales from 2022 to 2024 after taking into account expected customer demand and the current business, operational and market conditions. Taking into account the above, the Company considers and we concur that it is fair and reasonable to determine the Revised Services Annual Caps for the sale of CKDs and purchase of CBUs by the Group with reference to the Group's sales plan from 2022 to 2024.

In assessing the fairness and reasonableness of the Revised Services Annual Caps, we have considered the new vehicle models that are expected to be launched by the Group in 2023 and 2024, which we note include both new energy vehicle models and internal combustion engine vehicle models. Based on our review of the underlying calculations of the Revised Services Annual Caps, we note that the new vehicle models expected to be launched by the Group in 2023 and 2024 were included in the Group's projection for the CKDs Transactions and CBUs Transactions, and contributed to the increase in the Revised Services Annual Caps for the years ending 31 December 2023 and 2024. We understand from the management of the Company that the sales projection of the new vehicle models formed part of the Group's sales plan (as described in the paragraph above), which the timing of launch of each new vehicle model was determined by the Group after considering factors like development status of the vehicle, sales and marketing plans, product cycle, operational data and market conditions. The new vehicle models expected to be launched in 2023 and 2024 are therefore a key component in the Group's sales plans. Taking into account the above, the Company considers and we concur that it is fair and reasonable to take into account the new vehicle models expected to be launched by the Group in determining the Revised Services Annual Caps for the sale of CKDs and purchase of CBUs by the Group for the three years ending 31 December 2024.

From our review of the aforesaid documents and discussion with the management of the Group, we have taken into consideration the following in assessing the fairness and reasonableness of the Revised Services Annual Caps:

- the recent business performance and operational data of the Group, in particular (a) the increase in the Group's average selling price by approximately 21% from RMB84,184 in 6M2021 to RMB101,964 in 6M2022 as disclosed in the Company's presentation on 2022 interim results; (b) the increase in the Group's revenue in 6M2022 by approximately 29% as compared to 6M2021; and (c) the Group's target growth of around 24% for 2022 total sales volume from previous year as set out in the Company's 2021 annual report;
- the selling price per vehicle to end customers, projected distribution costs and other necessary and reasonable expenses (such as staff salary and other office expenses) are generally estimated to remain relatively steady for 2022 to 2024;
- the projected distribution costs incurred by the Group in calculating the annual caps under the CKDs Transactions and the CBUs Transactions for each of the three years ending 31 December 2024 are estimated at approximately 5.4% of the selling price of

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the relevant vehicle to end customers, which is in line with the average historical percentage of distribution and selling expenses relative to the total sales of the Group for the three years ended 31 December 2019, 2020 and 2021; and

- the adoption of an estimated consumption tax rate for the transactions relating to the CKDs Transactions (subject to the engine size of the relevant vehicle models and the subsidy scheme for electric and new energy vehicles) was based on the existing consumption tax rates applicable for the sale of different vehicles in the PRC.

Our view

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the Revised Services Annual Caps at the proposed levels. However, as the Revised Services Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2024, we express no opinion as to how closely the CKDs Transactions and the CBUs Transactions shall correspond to the Revised Services Annual Caps.

3. Revision of annual caps under the Supplemental Automobile Components Procurement Agreement

3.1. Background

Reference is made to the Company's announcement dated 2 July 2021 and circular dated 5 August 2021 in relation to, among others, the Automobile Components Procurement Agreement. Pursuant to the existing Automobile Components Procurement Agreement, the Group conditionally agreed to procure, and ZEEKR Group conditionally agreed to supply, automobile components for a period from the effective date of the Automobile Components Procurement Agreement to 31 December 2023. Such automobile components procured by the Group are mainly for use in the manufacturing of Geely-Branded vehicles.

Given the continuous increase of production costs in the automobile industry and surge in demand for NEV, the Board envisages that the Existing Automobile Components Procurement Annual Caps will not be sufficient to meet the Group's requirements. Accordingly, the Board resolved on 9 September 2022 (after trading hours) to enter into the Supplemental Automobile Components Procurement Agreement with ZEEKR to increase the annual caps for the procurement of automobile components by the Group from the ZEEKR Group for the two years ending 31 December 2023. Save for the Revised Automobile Components Procurement Annual Caps under the Supplemental Automobile Components Procurement Agreement, the other terms of the Automobile Components Procurement Agreement remain unchanged.

3.2. Principal terms of the Supplemental Automobile Components Procurement Agreement

Set out below are the principal terms of the Supplemental Automobile Components Procurement Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date

9 September 2022 (after trading hours)

Parties

The Company and ZEEKR

Condition precedent to the Supplemental Automobile Components Procurement Agreement

The Supplemental Automobile Components Procurement Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

Subject matter

Save for the Revised Automobile Components Procurement Annual Caps under the Supplemental Automobile Components Procurement Agreement, the other terms of the Automobile Components Procurement Agreement remain unchanged, which were disclosed in the circular of the Company dated 5 August 2021 and set out below for reference.

Pursuant to the Automobile Components Procurement Agreement, the Group conditionally agreed to procure, and the ZEEKR Group conditionally agreed to supply, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) (the “**Procurement Products**”) to the Group. The procurement of Procurement Products by the Group from the ZEEKR Group will be conducted in the ordinary and usual course of business Group, on normal commercial terms and on terms no less favourable to the Group than terms available from other Independent Third Party suppliers to the Group or terms available to the ZEEKR Group from other Independent Third Party customers.

Pricing basis

The selling price of the Procurement Products under the Automobile Components Procurement Agreement will be determined on arm’s length basis and on normal commercial terms with reference to the prevailing market price for similar products, and will not be less favourable to the Group than terms available from other Independent Third Party suppliers to the Group or terms available to the ZEEKR Group from other Independent Third Party customers.

Internal control measures

In order to ensure that the aforesaid pricing basis for the Automobile Components Procurement Agreement is adhered to, the Group will conduct the following internal control measures: (1) obtain price quotation from one to three Independent Third Party supplier(s) as market reference, which the Independent Third Party suppliers are all leading market players, to ensure the selling price of the relevant automobile components to be supplied by the ZEEKR Group are determined properly and set with reference to the prevailing market price. The number of quotations obtained by the Group will be subject to (a) the comparability of the

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relevant automobile components, (b) the market share of each Independent Third Party supplier, and (c) difficulty in the process of obtaining the quotations (which considering the above factors, the Directors are of the view that the number of price quotation(s) obtained by the Group are commercially sufficient and reasonable); (2) negotiations of the terms amongst departments, such as procurement, sales and marketing and finance, between the Group and the ZEEKR Group will be conducted, following by the final approval received from the management of the Group, before mandating the agreement; (3) the Group and the finance department of the ZEEKR Group will review (i) the scope of automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) to be sold by the ZEEKR Group to the Group, and (ii) pricing basis of the Automobile Components Procurement Agreement, on an annual basis (or more frequently if it is determined necessary); and (4) the transactions under the Automobile Components Procurement Agreement will be supervised and inspected by the Group annually to ensure that the transactions are carried out on normal commercial terms and ensure they are no less favorable than those offered by Independent Third Party suppliers. Otherwise, the Group will enter the transactions with Independent Third Party suppliers or further negotiate with the ZEEKR Group to ensure the transactions are carried out under more favourable terms to the Group.

In respect of the Group obtaining price quotation from one to three Independent Third Party supplier(s) as market reference as mentioned in the above paragraph, taking into account that (i) the Procurement Products mainly consist of automotive batteries for new energy vehicles, which we understand from the management of the Company that the Group's Independent Third Party suppliers for such components are leading market players, and therefore the available quotation(s) from such Independent Third Party supplier(s) are reflective of the prevailing market price offered by well-established independent supplier(s) in the industry; and (ii) the practical difficulties encountered by the Group from time to time in obtaining three price quotations from Independent Third Party suppliers, due to reason such as lack of availability of components with the required product specifications, the Company considers and we concur that obtaining price quotation from one to three Independent Third Party supplier(s) is sufficient and fair and reasonable for the purpose of obtaining market reference.

We have obtained and reviewed the Internal Control Report prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps (including the Existing Automobile Components Procurement Annual Caps); and (ii) the implementation of the pricing policies for its continuing connected transactions (including the procurement transactions contemplated under the Automobile Components Procurement Agreement).

3.3. Reasons for and benefits of entering into the Supplemental Automobile Components Procurement Agreement

As set out in the circular of the Company dated 5 August 2021, the Group entered into the Automobile Components Procurement Agreement such that Ningbo Viridi (which became part of the ZEEKR Group after the subscription of capital in Ningbo Viridi by ZEEKR), being principally engaged in the research, development, production and sale of automobile components including electric powertrain and battery systems and related products and provision of after-sales services, will

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continue to supply automobile components (including batteries, motors and electronic control system products) to the Group for the use in the manufacturing of Geely-Branded vehicles. Pursuant to the Automobile Components Procurement Agreement, the Existing Automobile Components Procurement Annual Caps were determined at approximately RMB1,224 million and RMB1,411 million for the two years ending 31 December 2023.

As set out in the Letter from the Board, the Supplemental Automobile Components Procurement Agreement is being entered into to revise and increase the Existing Automobile Components Procurement Annual Caps, as the Company expects that the Existing Automobile Components Procurement Annual Caps will not be sufficient for the remaining term of the Automobile Components Procurement Agreement. The shortfall of the Existing Automobile Components Procurement Annual Caps is primarily driven by three key factors, namely (i) positive market prospect of NEV arisen from current macroeconomic conditions, (ii) the interrelationship of NEV sales projection and battery demand of the Group, and (iii) surge in the costs of automobile batteries.

Positive market prospect of NEV arisen from current macroeconomic conditions: Driven by the macroeconomic conditions, the international oil price responded with a dramatic increase. In addition, given the regulatory discouragement on license applications and shortage of automobile components supply of ICE vehicles, consumers are shifting towards hybrid vehicles and EV for cost consideration. Thus, NEV is foreseen to continue its leading role in the development of automobile industry.

The interrelationship of NEV sales projection and battery demand of the Group: Considering the increasing market demand for NEV exceeding the Group's respective sales projection of 2022 and an introduction of new hybrid vehicle model of the Group in the second quarter of 2022, demand for battery and components from major automobile battery suppliers, i.e., Ningbo Viridi in this case, surges accordingly.

Surge in the costs of automobile batteries: In terms of automobile battery production, the costs of key components and raw materials for automobile battery production such as chip, ternary cathode material, precursor, lithium iron phosphate, conductive agent have significantly increased. In particular, (i) COVID-19 has exerted an upward pressure on the costs of key components and raw materials in early 2022, and (ii) the costs of chips, being a key component for automobile battery production, have also surged as a result of continuous shortage of chips supply in the market.

The Board is of the view that there is no specific disadvantage for the Company to enter into the Supplemental Automobile Components Procurement Agreement and the transactions contemplated thereunder.

Having considered the above, the reasons for and benefits of the Automobile Components Procurement Agreement as set out in the circular of the Company dated 5 August 2021 and our analysis on the major terms of the Supplemental Automobile Components Procurement Agreement (which revises the annual caps under the Automobile Components Procurement Agreement with the other terms remaining unchanged), we are of the view that the entering into of the Supplemental Automobile Components Procurement Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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3.4. *Fairness and reasonableness of the Revised Automobile Components Procurement Annual Caps*

Historical transaction amounts and Existing Automobile Components Procurement Annual Caps

The table below sets out (i) the historical transaction amounts of the procurement transactions for the seven months ended 31 July 2022; and (ii) the Existing Automobile Components Procurement Annual Caps:

	Historical transaction amount	Existing Automobile Components Procurement Annual Caps for the year ending 31 December	
		2022	2023
		<i>RMB'million</i>	<i>RMB'million</i>
Procurement transactions	915	1,224	1,411
<i>Utilisation rate as of 31 July 2022 (Note)</i>	<i>74.8%</i>		

Note: Utilisation rate of the annual cap for 2022 was calculated by dividing the historical transaction amount for the seven months ended 31 July 2022 by the existing annual cap for the year ending 31 December 2022.

As at the Latest Practicable Date, the Board confirmed the actual transaction amount of Existing Automobile Components Procurement Annual Caps has not exceeded the Existing Automobile Components Procurement Annual Caps for the financial year ending 31 December 2022.

Revised Automobile Components Procurement Annual Caps

The table below sets out the Revised Automobile Components Procurement Annual Caps for the two years ending 31 December 2023:

	Revised Automobile Components Procurement Annual Caps for the year ending 31 December	
	2022	2023
	<i>RMB'million</i>	<i>RMB'million</i>
Procurement transactions	3,749	3,942

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As set out in the Letter from the Board, the Revised Automobile Components Procurement Annual Caps were determined with reference to:

- (i) the revised projected number of units of each model of automobile components for use in the Geely-Branded vehicles, in particular the NEV of Geely-Branded vehicles for the two years ending 31 December 2023, after taking into account the expected increase in demand for NEV under Geely-Branded vehicles and the respective battery demand of the Group;
- (ii) the revised projected unit sales of the Geely-Branded vehicles, in particular the NEV of Geely-Branded vehicles, which are manufactured with the aforesaid automobile components for the two years ending 31 December 2023 after taking into account the revised sales projection of the NEV of Geely-Branded vehicles including the newly introduced vehicle models in the second half of 2022; and
- (iii) the revised projected average unit selling price for each model of automobile components, in particular for NEV of Geely-Branded vehicles, which are determined with reference to the prevailing selling price of similar automobile components obtained from a few leading Independent Third Party suppliers for the two years ending 31 December 2023.

In assessing the fairness and reasonableness of the Revised Automobile Components Procurement Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We note that the significant increase in annual cap for the procurement transactions for the year ending 31 December 2022 from approximately RMB1,224 million (existing) to RMB3,749 million (revised) is mainly attributable to (i) the projected increase in purchases of Procurement Products in the second half of 2022 to cater for (a) the battery requirements of a new hybrid vehicle model (namely “Xingyue L Leishen Hi-F”) that was recently launched by the Group in the second quarter of 2022; and (b) the increase in battery demand for the Group’s other new energy vehicle models, as well as (ii) the upward adjustment in estimated unit price of the Procurement Products in 2022, driven by the surge in cost of automobile batteries. We note that the increase in the Revised Automobile Components Procurement Annual Caps from approximately RMB3,749 million for the year ending 31 December 2022 to approximately RMB3,942 million for the year ending 31 December 2023 is mainly attributable to the projected increase in the purchases of Procurement Products in 2023 to satisfy the expected increase in battery demand for the aforementioned new hybrid vehicle model and the Group’s other new energy vehicle models.

Expected demand of the Procurement Products

In our assessment of the fairness and reasonableness of the expected demand for the Procurement Products in determining the Revised Automobile Components Procurement Annual Caps, we have obtained and reviewed (i) the projected purchases of the Procurement Products (which mainly consist of batteries for new energy vehicle models) by the Group from the ZEEKR Group; and (ii) the projected unit sales of vehicle models that are manufactured with the Procurement Products for the two years ending 31 December 2022 and 2023.

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Based on our review and discussion with management of the Company on the underlying basis and assumptions of the Revised Automobile Components Procurement Annual Caps, we noted that the projected procurement of the Procurement Products by the Group from the ZEEKR Group are determined based on the sales projection of the vehicle models of the Group which are equipped with the Procurement Products for the two years ending 31 December 2023. In preparing the aforementioned sales projection, we noted that the Company has principally taken into account (a) the projected sales volume of the newly introduced hybrid models launched in the second quarter of 2022; and (b) the projected sales volume of the Group's other new energy vehicle models that are equipped with the Procurement Products for the two years ending 31 December 2023, after taking into account their continuing positive sales performance and the positive prospects of new energy vehicles. We understand from the management of the Company that the sales projection of the vehicle models of the Group which are equipped with the Procurement Products is mainly based on the expected customer demand for such vehicle models for the two years ending 31 December 2023. For the projected sales of the new hybrid vehicle model recently launched by the Group in the second quarter of 2022, we have reviewed the recent monthly historical sales and noted continuing positive sales performance since the launch period, which the Group has projected an increase in sales for the remaining of 2022 and 2023 to cater for sales strategy and the potential customer demand for the new hybrid variant with improved technologies (which include multiple intelligent driving modes and higher thermal efficiency). For the projected sales of the Group's other new energy vehicle models that are equipped with the Procurement Products for the two years ending 31 December 2023, we have reviewed the historical sales of these new energy vehicle models and understand from the management of the Company that their projected sales volume in the remaining of 2022 and 2023 were determined with reference to factors including the product life cycle for each vehicle model and the expected increase in market demand for new energy vehicles, after taking into account the recent strong business performance of the Group's new energy vehicles and the Group's continued efforts in promoting new energy transformation. Based on the Company's announcement dated 6 September 2022 in respect of unaudited sales volume, the Group sold (i) 136,015 pure electric vehicles for the eight months ended 31 August 2022, compared to 24,084 in the prior period (representing a substantial 465% increase); and (ii) 43,223 plug-in hybrid electric vehicles for the eight months ended 31 August 2022, compared to 12,356 in the prior period (representing a substantial 250% increase). In view of the above and taking into account the Group's continued acceleration in new energy transformation as part of its "Geely Blue Initiatives" and its dedication in transforming itself into the industry leader in new energy vehicle technologies (as described in the analysis in the paragraph below), we consider that it is reasonable for the Group to expect an increase in customer demand for its new energy vehicle models (including those equipped with the Procurement Products) as reflected in the Group's sales projection for the two years ending 31 December 2023.

In our assessment of the Group's revised projected demand for Procurement Products, which are mainly driven by the battery demand of the Group's new energy vehicles, we have also considered the recent sales performance of the Group's new energy vehicles. In particular, we note from the Company's presentation of its interim results for 6M2022 that (i) the sales volume of the Group's pure electric vehicles increased substantially by around 520% from 13,851 units in 6M2021 to 85,820 units in 6M2022; whilst the sales volume of its plug-in-hybrid vehicles also increased substantially by 192% from 8,182 units in 6M2021 to 23,891 units in 6M2022 (which the strong sales performance of new energy vehicles has continued

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after 6M2022 as shown in the sales volume data for August 2022 as illustrated in the paragraph above); and (ii) the Group's proportion of new energy vehicle sales increased materially by 14.4 percentage points from 3.5% in 6M2021 to 17.9% in 6M2022. We also understand from the management of the Company that the Group will continue to accelerate the new energy transformation as part of its "Geely Blue Initiatives", targeting monthly new energy vehicle sales proportion of over 30% in the second half of 2022, as disclosed in the Company's presentation on its interim results for 6M2022. Such focus on the performance of new energy vehicles by the Group and its dedication in transforming into the industry leader in new energy vehicle technologies is expected to significantly increase the Group's demand for Procurement Products in the remaining of 2022 and 2023.

Projected selling price of the Procurement Products

In determining the Revised Automobile Components Procurement Annual Caps, we noted from the underlying calculation and the discussion with management of the Company that apart from the increase in expected demand for Procurement Products, the upward adjustment in estimated unit price of the Procurement Products in 2022, driven by the surge in cost of automobile batteries, contributed to the increase in the Revised Automobile Components Procurement Annual Caps.

We have conducted desktop research and note that key material costs for electric vehicles have been increasing. According to an article from CNBC published in June 2022 (*source website: www.cnbc.com/2022/06/22/electric-vehicle-raw-material-costs-doubled-during-pandemic.html*), average raw material costs for an electric vehicle increased by 144% as of May 2022 compared to March 2020, led by materials such as cobalt, nickel and lithium, all essential for the production of batteries used to power electric cars. The spike in costs is contributed by supply chain disruption and growing demand for key raw materials.

Based on the underlying calculation and discussion with management of the Company, we note that the unit price of the Procurement Products in determining the Revised Automobile Components Procurement Annual Caps for the two years ending 31 December 2023 was determined with reference to the prevailing market price of similar products, which has increased due to the surge in cost of automobile batteries. We have obtained and reviewed the projected selling price per unit of each type of Procurement Product and the corresponding selling price of similar automobile components obtained from independent suppliers (which included review of eight samples (randomly selected) of price quotations of similar automobile components from Independent Third Party suppliers within the year of 2022). From our review, we noted that the projected unit price of each Procurement Product was comparable to that of similar automobile components available from Independent Third Party suppliers to the Group. The purpose of our review of samples is to be satisfied that there is market reference available to determine the price of the Procurement Products, and hence the internal control procedure of the Group can be implemented. The purpose of our review is not to provide a representative coverage. As the above-mentioned samples of price quotations from Independent Third Party suppliers related to automotive batteries of similar specification as the Procurement Products and were recent samples within the year of 2022 (which reflected the higher prevailing market price due to the surge in cost of automotive batteries), we consider that such

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samples are fair and relevant for comparing the market price to the projected unit price of the Procurement Products, and we are satisfied that there is market reference available to determine the price of the Procurement Products being fair and reasonable.

Our view

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the Revised Automobile Components Procurement Annual Caps at the proposed levels. However, as the Revised Automobile Components Procurement Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2023, we express no opinion as to how closely the procurement transactions pursuant to the Supplemental Automobile Components Procurement Agreement shall correspond to the Revised Automobile Components Procurement Annual Caps.

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

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

- (a) Each year the independent non-executive Directors must review each of the Continuing Connected Transactions and confirm in the annual report and accounts that they have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

- (b) Each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that each of the Continuing Connected Transactions:
 - has not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the terms of the respective agreements of each of the Continuing Connected Transactions; and
 - have exceeded the respective annual caps.

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- (c) The Company must allow, and ensure that the relevant counter parties to each of the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on each of the Continuing Connected Transactions.
- (d) The Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively.

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

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the Supplemental Services Agreement, and (ii) the Supplemental Automobile Components Procurement Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms thereof as well as the Revised Services Annual Caps and Revised Automobile Components Procurement Annual Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the terms of and the revised annual caps in relation to the Supplemental Services Agreement and the Supplemental Automobile Components Procurement Agreement.

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

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules were as follows:

(i) Director's and chief executive's interests and short positions in the shares of the Company

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

Note:

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

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

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

Note:

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

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

Name of Director	Name of the associated corporations	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	8,929 (Note 1)	–	89.29
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	RMB938,074,545 (Note 2)	–	91.08
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	RMB2,031,307,340 (Note 3)	–	71.05
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	RMB240,000,000 (Note 4)	–	100
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	RMB3,530,000,000 (Note 5)	–	91.08
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	US\$7,900,000 (Note 6)	–	1
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	US\$885,000 (Note 7)	–	1
Mr. Li Shu Fu	ZEEKR Intelligent Technology Holding Limited	RMB522,000,000 (Note 8)	–	22.93
Mr. An Cong Hui	ZEEKR Intelligent Technology Holding Limited	RMB68,000,000 (Note 9)	–	2.99
Mr. Li Dong Hui, Daniel	ZEEKR Intelligent Technology Holding Limited	RMB20,000,000 (Note 10)	–	0.88
Mr. Gui Sheung Yue	ZEEKR Intelligent Technology Holding Limited	RMB10,000,000 (Note 11)	–	0.44
Ms. Wei Mei	ZEEKR Intelligent Technology Holding Limited	RMB5,800,000 (Note 12)	–	0.25
Mr. Gan Jia Yue	ZEEKR Intelligent Technology Holding Limited	RMB4,000,000 (Note 13)	–	0.18

Note:

1. Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu.
2. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

3. Zhejiang Geely is a private company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.
4. Shanghai Maple is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
5. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
6. Zhejiang Jirun is incorporated in the PRC and is 1%-owned by Zhejiang Geely.
7. Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
8. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 22.93%-owned by Mr. Li Shu Fu and his associate.
9. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 2.99%-owned by Mr. An Cong Hui, an executive Director, and his associate.
10. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.88%-owned by Mr. Li Dong Hui, Daniel, an executive Director, and his associate.
11. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.44%-owned by Mr. Gui Sheng Yue, an executive Director, and his associate.
12. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.25%-owned by Ms. Wei Mei, an executive Director, and her associate.
13. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.18%-owned by Mr. Gan Jia Yue, an executive Director, and his associate.

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

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executives of the Company, the persons, other than the directors or the chief executives of the Company, who had interests or a short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

(i) *Substantial Shareholders (as defined in the SFO)*

Name	Nature of interests	Number of shares held Long position	Approximate percentage or attributable percentage of shareholding (%)
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	26.22
Zhejiang Geely Holding Group Company Limited (Note 1)	Interest in controlled corporation	4,019,391,000	39.97
Geely Group Limited (Note 1)	Beneficial owner	196,497,000	1.95
Zhejiang Geely Automobile Company Limited (Note 2)	Beneficial owner	796,562,000	7.92

Note:

1. Proper Glory is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. Zhejiang Geely is a limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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

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

3. FURTHER INFORMATION CONCERNING DIRECTORS**a) Directors' service agreements**

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

b) Competing interests

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

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

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

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

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

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd. (the “Proton Acquisition”). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has been completed in October 2017. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Proton Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Although the vehicles being produced by Proton Holdings Bhd. occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

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

The Group’s passenger vehicle products include three major brands, namely, Geely, Geometry and ZEEKR. Except for the Group and its subsidiaries, Geely Holding controls the principal businesses of research and development, production and sales of passenger vehicles, and the major passenger vehicle brands include Volvo, Lynk&Co, Lotus, Polestar and London Electric Vehicle. There is no horizontal competition that casts material and adverse impact on the Group between the Group and other corporations such as those passenger vehicle brands controlled by Geely Holding and other enterprises (other than the controlling shareholders) controlled by the actual controller. Details are as follows: The Group owns three major brands: Geely, Geometry and ZEEKR. Geely-Branded vehicles are mainly sold in the PRC, and exported to developing countries such as Asia, Eastern Europe and the Middle East. Geely-Branded vehicles are positioned as economical passenger vehicles, Geometry brand is the pure electric vehicle brand of the Group. The ZEEKR brand is a new premium smart pure electric vehicle brand of the Group.

(1) Volvo

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

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

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

(2) *LYNK & CO*

LYNK & CO, being a mid- to high-end brand established through joint venture among Zhejiang Jirun, Geely Holding and VCI, adopts a more premium product positioning than the Group's economy passenger vehicles; LYNK & CO targets younger users in pursuit of a stronger sense of fashion and technology as its customer base, representing certain discrepancy with the Group's brand positioning of popularization and target customer base.

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

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

Lotus

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

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

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

Polestar

Polestar is a manufacture brand under Polestar Automotive Holding Limited. Polestar Automotive Holding Limited is owned as to 42.7% by PSD Investment Limited and as to 48.8% by Volvo Cars. PSD Investment Limited is a company controlled by Mr. Li Shu Fu.

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

London Electric Vehicle Company

London Electric Vehicle Company (“LEVC”) is a manufacture brand of Geely Holding. LEVC is positioned as the VAN series of electrified models. As at the Latest Practicable Date, LEVC has launched two models of TX5 and VN5 VANs. TX5 is for the travel market, while VN5 is targeted for the European market. Both customer base and pricing are different from the Group’s major brands, namely Geely, Geometry and ZEEKR. Businesses controlled by the controlling shareholder, such as Lotus, Polestar and LEVC are significantly different from the Group in terms of product positioning, target consumer group, etc. such that no competitive relationship is constituted with the Group, and the possibility of mutually or unilaterally transferring business opportunities is small.

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

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

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

c) Directors’ interests in assets, contracts or arrangements

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

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

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

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

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

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

Pursuant to the services agreement dated 15 October 2021, the Group agreed to supply to the Geely Holding Group the CKDs manufactured by the Group with the largest annual cap being RMB120,281.0 million for the three years ending 31 December 2024.

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

Pursuant to the services agreement, the Geely Holding Group agreed to sell to the Group the CBUs, with the largest annual cap being RMB124,704.7 million for the three years ending 31 December 2024.

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

The Shareholders' meeting in respect of the services agreement was held on 6 December 2021 and the services agreement was duly approved by the then Independent Shareholders.

Automobile components procurement agreement between the Company and Geely Holding (the automobile components procurement agreement has an effective term from 1 January 2022 to 31 December 2024)

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

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

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

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

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

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

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

Pursuant to the Volvo retail loan cooperation agreements dated 11 December 2015 and the Company's announcement dated 15 October 2021, Genius AFC agreed to enter into the Volvo retail loan cooperation agreements with Volvo Dealers pursuant to which the Volvo Dealers shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles (as defined in the circular of the Company dated 16 November 2021) with the largest annual cap being RMB10,473.0 million for the three years ending 31 December 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers (as defined in the circular of the Company dated 30 November 2020) and LYNK & CO Retail Customers (as defined in the circular of the Company dated 30 November 2020), including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles. The largest annual cap for the LYNK & CO wholesale financing arrangements is RMB1,125.0 million for the three years ending 31 December 2023. The largest annual cap for the LYNK & CO retail financing arrangements is RMB17,149.7 million for the three years ending 31 December 2023.

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

Pursuant to the Fengsheng finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Fengsheng Retail Customers (as defined in the circular of the Company dated 30 November 2020) to assist them to purchase Maple-branded vehicles. The largest annual cap for the Fengsheng finance cooperation agreement is RMB241.0 million for the three years ending 31 December 2023.

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

Pursuant to the Geely Holding finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Geely Retail Customers (as defined in the circular of the Company dated 30 November 2020) to assist them to purchase (a) vehicles under brands owned by Geely Holding from the Geely Holding Dealers (as defined in the circular of the Company dated 30 November 2020); or (b) Geely Branded Vehicles from the Connected Geely Dealers (as defined in the circular of the Company dated 30 November 2020). The largest annual cap for the Geely Holding finance cooperation agreement is approximately RMB606.5 million for the three years ending 31 December 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

Automobile components procurement agreement between the Company and ZEEKR (the automobile components procurement agreement has an effective term from its effective date to 31 December 2023)

Pursuant to the automobile components procurement agreement dated 2 July 2021, the Group agreed to procure, and the ZEEKR Group agreed to supply, automobile components with the largest annual cap being RMB1,410.6 million for the three years ending 31 December 2023.

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

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

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

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

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

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

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

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

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

d) Director's Service Contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited accounts of the Company have been made up.

6. QUALIFICATION OF EXPERT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Ballas Capital Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Ballas Capital Limited:

- a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2021, the date to which the latest audited financial statements of the Group was made up; and
- c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the assets acquisition agreement dated 20 November 2020 entered into between the Company and Geely Holding pursuant to which the Group agreed to purchase, and the Geely Holding Group agreed to sell, the target assets for a maximum cash consideration of approximately RMB744.0 million;
- (ii) the framework agreement dated 23 March 2021 entered into between the Company and Geely Holding in relation to the formation of a joint venture company pursuant to which the Company and Geely Holding will subscribe for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million), respectively, of the total shares issued by the joint venture company;
- (iii) the disposal agreement dated 28 April 2021 entered into among ZEEKR, Value Century, Zhejiang Fulin and Shanghai Maple in relation to the disposal of ZEEKR Shanghai pursuant to which, Value Century, Zhejiang Fulin and Shanghai Maple agreed to sell, their respective 91%, 8% and 1% equity interest(s) in ZEEKR Shanghai, and ZEEKR agreed to acquire the 100% equity interests in ZEEKR Shanghai through its indirect wholly foreign-owned subsidiary, for a cash consideration of approximately RMB980.4 million in total;
- (iv) the acquisition agreement dated 28 April 2021 entered into between ZEEKR Shanghai and Geely Holding Automobile in relation to the acquisition of the entire registered capital of ZEEKR Automobile, pursuant to which ZEEKR Shanghai agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of ZEEKR Automobile for a consideration of approximately RMB485.3 million;
- (v) the acquisition agreement dated 13 May 2021 entered into between Zhejiang Jirun and Changxing New Energy in relation to the entire registered capital of Changxing Components for a cash consideration of approximately RMB2,534.7 million;
- (vi) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Zhejiang Geely, in relation to the acquisition of 100% equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million;
- (vii) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Geely Holding Automobile, in relation to the acquisition of 30% equity interests in Haohan Energy for a cash consideration of approximately RMB9.0 million;
- (viii) the subscription agreement dated 2 July 2021 entered into among ZEEKR, Zhejiang Jichuang and Ningbo Viridi in relation to the subscription for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million;

- (ix) the subscription agreement dated 7 September 2021 entered into among the Company, ECARX and ECARX stakeholders in relation to the subscription for 4,321,521 series B preference shares for a cash consideration of approximately US\$50 million;
- (x) the assets transfer agreement dated 15 October 2021 entered into between the Company and Geely Holding pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-Branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million;
- (xi) the share purchase agreement dated 29 October 2021 entered into between the Company and Geely Group Limited, in relation to the acquisition of 220,000,000 ordinary shares of ZEEKR for a total consideration of approximately RMB5,602.2 million;
- (xii) the investment cooperation agreement dated 13 December 2021 entered into between the Company and Lifan Technology in relation to the formation of a joint venture pursuant to which the Company and Lifan Technology will contribute 50% (representing RMB300 million) and 50% (representing RMB300 million), respectively, of the total shares issued by the joint venture;
- (xiii) the subscription agreement dated 9 May 2022 entered into between Centurion Industries Limited ("CIL"), a wholly-owned subsidiary of the Company, and Renault Korea Motors Company Limited ("Renault Korea Motors") in relation to the subscription of 45,375,000 common shares of Renault Korea Motors at a cash consideration of approximately KRW264 billion (approximately RMB1,376 million); and
- (xiv) the equity transfer agreement dated 11 July 2022 entered into among the Company, BNPP PF and its wholly owned subsidiary in relation to the transfer of 5% interests in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420.7 million.

8. GENERAL

- a) The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

- d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://geelyauto.com.hk>) from the date of this circular up to and including the date of the EGM on Friday, 11 November 2022:

- a) Services Agreement;
- b) Supplemental Services Agreement;
- c) Automobile Components Procurement Agreement;
- d) Supplemental Automobile Components Procurement Agreement;
- e) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- f) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- g) the letter from Ballas Capital Limited, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular; and
- h) the written consent from Ballas Capital Limited referred to in the paragraph headed “Qualification of expert” in this appendix.

NOTICE OF EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Geely Automobile Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Friday, 11 November 2022 at 4:00 p.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

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

1. “**THAT:**

- a. the conditional agreement dated 9 September 2022 (the “**Supplemental Services Agreement**”) entered into between the Company and 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*) (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, (i) the Group agreed to sell complete knock down kits to the Geely Holding Group; and (ii) the Group agreed to purchase complete buildup units from the Geely Holding Group, be and is hereby approved, ratified and confirmed;
- b. the annual cap amounts in respect of (i) the sale of complete knock down kits; and (ii) the purchase of complete buildup units for each of the three financial years ending 31 December 2024 be and hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Supplemental Services Agreement.”

2. “**THAT:**

- a. the conditional agreement dated 9 September 2022 (the “**Supplemental Automobile Components Procurement Agreement**”) entered into between the Company and ZEEKR Intelligent Technology Holding Limited (“**ZEEKR**”, together with its subsidiaries, the “**ZEEKR Group**”), a copy of which is tabled at the meeting and

NOTICE OF EGM

marked “**B**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group agreed to purchase automobile components from the ZEEKR Group, be and is hereby approved, ratified and confirmed;

- b. the annual cap amounts in respect of the purchase of automobile components for each of the two financial years ending 31 December 2023 be and hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Supplemental Automobile Components Procurement Agreement.”

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

Hong Kong, 26 October 2022

Notes:

- (1) In order to establish entitlements of attending and voting at the forthcoming extraordinary general meeting of the Company to be held on 11 November 2022, all transfers of shares of the Company, accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Monday, 7 November 2022.
- (2) Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.
- (3) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
- (4) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
- (5) If there is Typhoon Signal No. 8 or above, a “black” rainstorm warning and/or extreme conditions caused by a super typhoon in force in Hong Kong at any time after 1:00 p.m. on the date of the forthcoming extraordinary general meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company at (<http://www.geelyauto.com.hk>) and the Stock Exchange at (<http://www.hkexnews.hk>) to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Ms. Wei Mei and Mr. Gan Jia Yue, and the independent non-executive directors of the Company are Mr. An Qing Heng, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.