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.

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock codes: 175 (HKD counter) and 80175 (RMB counter)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited

浦銀國際
SPDB INTERNATIONAL

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

BALLAS
CAPITAL
A subsidiary of Crosby

A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee is set out on pages 36 to 37 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 38 to 78 of this circular. A notice convening the EGM to be held at Boardroom 8, Lower Lobby, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Thursday, 10 October 2024 at 4:00 p.m. is set out on pages EGM-1 to EGM-4 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.

24 September 2024

CONTENTS

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

"2023 Operation Services Agreement"	the master agreement dated 9 June 2023 entered into among the Company, Geely Holding, LYNK & CO and ZEEKR for the operation services
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Automobile Components Sales and Purchase Agreement"	the master agreement entered into among the Company, Geely Holding, LYNK & CO, ZEEKR, LEVC, Geely Technology, YoeNing Technology, InfiMotion and Geely Sunwoda on 15 August 2024, pursuant to which the Group conditionally agreed to (i) sell automobile components to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, and the LEVC Group; and (ii) purchase automobile components from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group
"Aurobay Technology"	極光灣科技有限公司 (Aurobay Technology Co., Ltd.*), a limited liability company established in the PRC, which was indirectly owned as to 33% by the Group and as to 17% by Mr. Li and his associate as at the Latest Practicable Date
"Aurobay Technology Group"	Aurobay Technology and its subsidiaries
"BNPP PF"	BNP Paribas Personal Finance, a wholly-owned subsidiary of BNP Paribas Group, which is principally engaged in consumer credit and mortgage lending activities
"Board"	the board of Directors
"CBU(s)"	fully functional vehicles that meet relevant corporate standards, industry requirements and regulatory requirements and can be sold directly to customers
"Cofiplan"	Cofiplan S.A., a wholly-owned subsidiary of BNP Paribas Group, which is principally engaged in financing activities
"CKD(s)"	all parts and components in a disassembled state that can be assembled into CBU(s)

"Commercial Vehicle"	浙江吉利遠程新能源商用車集團有限公司 (Zhejiang Geely Farizon New Energy Commercial Vehicle Group Co., Ltd.*), a limited liability company established in the PRC and was ultimately wholly-owned by Mr. Li and his associates as at the Latest Practicable Date
"Commercial Vehicle Group"	Commercial Vehicle and its subsidiaries
"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 codes: 175 (HKD counter) and 80175 (RMB counter))
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transactions"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	the transactions contemplated under the Services Agreement; the transactions contemplated under the Automobile Components Sales and Purchase Agreement; and the transactions contemplated under the Operation Services Agreement
"Director(s)"	directors of the Company, each a "Director"
"EGM"	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Continuing Connected Transactions
"Existing Automobile Components Sales and Purchase Agreement"	the master agreement entered into among the Company, Geely Holding, LYNK & CO and ZEEKR on 15 September 2023, pursuant to which the Group conditionally agreed to (i) sell automobile components to the Geely Holding Group and the LYNK & CO Group; and (ii) purchase automobile components from the Geely Holding Group and the ZEEKR Group
"Existing 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
"Farizon Technology"	遠程商用車科技有限公司 (Farizon Commercial Vehicle Technology Co., Ltd.*), a limited liability company established in the PRC, which was ultimately owned as to more than 70% by Mr. Li and his associates as at the Latest Practicable Date
"Farizon Technology Group"	Farizon Technology and its subsidiaries

"Geely Automobile Group"	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a limited liability established in the PRC, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Geely Changxing"	吉利長興自動變速器有限公司 (Geely Changxing Automatic Transmission Co., Ltd.*), a limited liability company established in the PRC, which was indirectly owned as to 33% by the Group and as to 17% by Mr. Li and his associate as at the Latest Practicable Date
"Geely Changxing Group"	Geely Changxing and its subsidiaries
"Geely Holding"	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a limited liability company established in the PRC, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Geely Holding and Related Party Groups"	collectively, the Geely Holding Group, the ZEEKR Group, the LYNK & CO Group, the Geely Technology Group, the smart Group, the Farizon Technology Group, the Commercial Vehicle Group, the Tianjin Chunqing Group, the YoeNing Technology Group, the Livan Automotive Group, the Lotus Technology Group, the JIDU Group, the Aurobay Technology Group and the Geely Changxing Group
"Geely Holding Group"	Geely Holding and its subsidiaries
"Geely Ningbo"	吉利集團(寧波)有限公司 (Geely Group (Ningbo) Co., Ltd.*), a limited liability company established in the PRC, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Geely Qizheng"	浙江吉利啟征汽車科技有限公司 (Zhejiang Geely Qizheng Automotive Technology Co., Ltd.*), a limited liability company established in the PRC, which was ultimately and beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Geely Sunwoda"	山東吉利欣旺達動力電池有限公司 (Shandong Geely Sunwoda Power Battery Co., Ltd.*), a limited liability company established in the PRC and was indirectly owned as to 41.5% by the Group and as to 28.5% by Mr. Li and his associate as at the Latest Practicable Date
"Geely Sunwoda Group"	Geely Sunwoda and its subsidiaries

"Geely Technology"	吉利科技集團有限公司 (Geely Technology Group Company Limited*), a limited liability company established in the PRC. As at the Latest Practicable Date, Geely Technology was indirectly owned as to more than 85% by Mr. Li and his associate
"Geely Technology Group"	Geely Technology and its subsidiaries
"Genius AFC"	吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.*), a limited liability company established in the PRC, which was owned as to 75% by the Company, 20% by BNPP PF and 5% by Cofiplan, respectively, 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
"Group"	the Company and its subsidiaries
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 1 (dealing in securities) and 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
"Independent Shareholders"	Shareholders 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 may be), and their respective associates
"InfiMotion"	無錫星驅科技有限公司 (Wuxi InfiMotion Technology Co., Ltd.*), a limited liability company established in the PRC and was indirectly owned as to more than 30% by Mr. Li and his associate as at the Latest Practicable Date
"InfiMotion Group"	InfiMotion and its subsidiaries

"IT"	information and technology
"JIDU"	JIDU Auto Inc. (集度汽車公司*), a company incorporated in the Cayman Islands and was owned as to more than 30% by Mr. Li and his associate as at the Latest Practicable Date
"JIDU Group"	JIDU and its subsidiaries
"Latest Practicable Date"	18 September 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"LEVC"	浙江翼真新能源汽車有限公司 (Zhejiang LEVC New Energy Automobile Co., Ltd.*), a limited liability company established in the PRC, which was owned as to 50% by Geely Holding and 50% by Geely Ningbo as at the Latest Practicable Date
"LEVC Group"	LEVC and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Livan Automotive"	重慶睿藍汽車科技有限公司 (Chongqing Livan Automotive Technology Co., Ltd.*), a limited liability company established in the PRC, which was owned as to 45% by Geely Qizheng as at the Latest Practicable Date
"Lotus Technology"	武漢路特斯科技有限公司 (Wuhan Lotus Technology Company Limited*), a limited liability company established in the PRC, which was indirectly owned as to more than 30% by Mr. Li and his associate as at the Latest Practicable Date
"Lotus Technology Group"	Lotus Technology and its subsidiaries
"LYNK & CO"	領克汽車科技有限公司 (LYNK & CO Automotive Technology Co., Ltd.*), a Chinese-foreign-equity joint venture of the Company established in the PRC, which was owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding and VCI as at the Latest Practicable Date
"LYNK & CO Group"	LYNK & CO and its subsidiaries
"Mr. Li"	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding approximately 41% of the total issued share capital of the Company as at the Latest Practicable Date

"NEV(s)"	new energy vehicle(s)
"Ningbo Geely"	寧波吉利汽車實業有限公司 (Ningbo Geely Auto Industry Company Limited*), a limited liability company established in the PRC, which was an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Operation Services Agreement"	the master agreement entered into among the Company, Geely Holding, LYNK & CO, ZEEKR, Geely Technology, Aurobay Technology, Geely Changxing, Lotus Technology, JIDU, smart, Tianjin Chunqing, Farizon Technology, Commercial Vehicle, Livan Automotive and YoeNing Technology on 15 August 2024, pursuant to which the Group conditionally agreed to: (i) provide to the Geely Holding and Related Party Groups operation services; and (ii) procure from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group, and the Geely Changxing Group operation services
"percentage ratio(s)"	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
"PBOC"	the People's Bank of China
"PRC"	the People's Republic of China, but for the purposes of this circular only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Proper Glory"	Proper Glory Holding Inc., a limited liability company incorporated in the British Virgin Islands, which was owned as to 68% by Geely Holding and as to 31.89% by Geely Group Limited as at the Latest Practicable Date
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Services Agreement"	the master agreement dated 15 August 2024 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)

"Share(s)"	ordinary share(s) of HK$0.02 each in the share capital of the Company
"Shareholders"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"smart"	智馬達汽車有限公司 (smart Automobile Co., Ltd.*), a limited liability company established in the PRC, which was owned as to more than 30% by Mr. Li and his associate as at the Latest Practicable Date
"smart Group"	smart together with its subsidiaries
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Operation Services Agreement"	the supplemental agreement to the 2023 Operation Services Agreement entered into between the Company, Geely Holding, LYNK & CO, ZEEKR and Geely Technology dated 7 February 2024 for the revised annual caps
"Supplemental Services Agreement"	the supplemental agreement to the Existing Services Agreement entered into between the Company and Geely Holding dated 9 September 2022 for the revised annual caps
"Tianjin Chunqing"	天津醇氫生態科技有限公司 (Tianjin Chunqing Technology Co., Ltd.*), a limited liability company established in the PRC, which was ultimately owned as to more than 80% by Mr. Li and his associates as at the Latest Practicable Date
"Tianjin Chunqing Group"	Tianjin Chunqing and its subsidiaries
"VCDC"	沃爾沃汽車銷售(上海)有限公司 (Volvo Car Distribution (Shanghai) Co., Ltd.*), a limited liability company established in the PRC, which was a wholly-owned subsidiary of Volvo as at the Latest Practicable Date
"VCI"	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*), a limited liability company established in the PRC, which was a wholly-owned subsidiary of Volvo as at the Latest Practicable Date
"VCIC"	沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (APAC) Investment Holding Co., Ltd.*), a limited liability company established in the PRC, which was owned as to 50% by Volvo and as to 50% by Geely Holding as at the Latest Practicable Date

"Volvo"	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden, which was an indirect non-wholly-owned subsidiary of Geely Holding as at the Latest Practicable Date
"YoeNing Technology"	浙江耀寧科技集團有限公司 (ZheJiang YoeNing Technology Group Co., Ltd.*), a limited liability company established in the PRC, which was owned as to more than 90% by Mr. Li and his associate as at the Latest Practicable Date
"YoeNing Technology Group"	YoeNing Technology and its subsidiaries
"ZEEKR"	ZEEKR Intelligent Technology Holding Limited (NYSE: ZK), a limited liability company incorporated in the Cayman Islands, which was an indirect subsidiary of the Company as at the Latest Practicable Date
"ZEEKR Group"	ZEEKR together with its subsidiaries
"Zhejiang Geely"	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a limited liability company established in the PRC, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Zhejiang Haoqing"	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a limited liability company established in the PRC, which was beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date
"Zhejiang Jirun"	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Co., Ltd.*), a limited liability company established in the PRC, which was an indirectly 99% owned subsidiary of the Company as at the Latest Practicable Date
"Zhejiang Maple"	浙江吉利華普汽車有限公司 (Zhejiang Geely Maple Automobile Company Limited*), a limited liability company established in the PRC, which was wholly-owned by Geely Holding 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.*

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock codes: 175 (HKD counter) and 80175 (RMB counter)

Executive Directors:
Mr. Li Shu Fu *(Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Ms. Wei Mei
Mr. Gan Jia Yue
Mr. Mao Jian Ming, Moosa

Independent Non-executive Directors:
Mr. An Qing Heng
Mr. Wang Yang
Ms. Gao Jie
Ms. Yu Li Ping, Jennifer
Mr. Zhu Han Song

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

Principal Place of Business in Hong Kong:
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road Wanchai
Hong Kong

24 September 2024

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 August 2024 in relation to the Continuing Connected Transactions.

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

CONTINUING CONNECTED TRANSACTIONS

(A) Services Agreement

References are made to the Company's announcements dated 15 October 2021 and 9 September 2022 in relation to the Existing Services Agreement and the Supplemental Services Agreement respectively, both of which will expire on 31 December 2024.

In light of the upcoming expiry of the aforesaid agreements, on 15 August 2024 (after trading hours), the Company and Geely Holding entered into the Services Agreement for a term of three years from 1 January 2025 to 31 December 2027.

Subject matter

Sale of CKDs by the Group to the Geely Holding Group

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

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

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

Purchase of CBUs by the Group from the Geely Holding Group

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

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

Term

From 1 January 2025 to 31 December 2027

Payment terms

All payments in respect of the CKDs and CBUs provided under the Services Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Services Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Services Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Services Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, the Board is of the view that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders.

Condition precedent to the Services Agreement

The Services Agreement is conditional upon the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the agreement.

If the above condition is not fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Services Agreement will be terminated.

Pricing basis

Sale of CKDs by the Group to the Geely Holding Group

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 (mainly being consumption tax and value-added tax) and other necessary and reasonable expenses (such as staff salary and other office expenses).

Purchase of CBUs by the Group from the Geely Holding Group

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.

Historical transaction amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2023 and the five months ended 31 May 2024; and (ii) the 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 under the Existing Services Agreement for the three years ended/ending 31 December 2024.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the five months ended 31 May	Announced annual caps for the year ended/ ending 31 December		
	2022	2023	2024	2022	2023	2024
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Audited)	(Audited)	(Unaudited)			
Sale of CKDs by the Group to the Geely Holding Group	98,195.5	96,749.4	44,853	116,225.7	136,386.9	163,929.8
Utilisation rate of annual caps				84.5%	70.9%	27.4%(Note)
Purchase of CBUs by the Group from the Geely Holding Group	107,154.6	105,071.7	48,224.4	117,728.9	141,315.1	169,577.3
Utilisation rate of annual caps				91%	74.4%	28.4%(Note)

Note: The utilisation rate of the annual cap for the year ending 31 December 2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the announced annual cap for the full financial year ending 31 December 2024.

As at the Latest Practicable Date, the Board confirmed that the actual transactions amounts for (i) the sale of CKDs; and (ii) the purchase of CBUs under the Services Agreement have not exceeded their respective annual caps for the year ending 31 December 2024.

	Proposed annual caps for the year ending 31 December		
	2025	2026	2027
	RMB million	*RMB million*	*RMB million*
Sale of CKDs by the Group to the Geely Holding Group	171,232.2	194,095.4	219,964.5
Purchase of CBUs by the Group from the Geely Holding Group	176,629.7	200,298.6	227,138.5

Basis of determination of the proposed annual caps

The proposed annual caps for the sale of CKDs by the Group to the Geely Holding Group were determined by the Directors with reference to (i) the projected unit sales of the Group for the three years ending 31 December 2027 which were determined with reference to the annual sales volume target of the Group for the three years ending 31 December 2027; (ii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2027; and (iii) the applicable PRC tax rates and the projected distribution costs and other necessary expenses for the three years ending 31 December 2027.

The proposed annual caps for the purchase of CBUs by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the projected unit sales of the Group for the three years ending 31 December 2027 which were determined with reference to the annual sales volume target of the Group for the three years ending 31 December 2027; (ii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2027; and (iii) the projected distribution costs for the three years ending 31 December 2027.

The increase in the proposed 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 years ending 31 December 2026 and 31 December 2027, is mainly attributable to the expected increase in production volume and expected increase in average selling price during 2026 to 2027.

The Board (including the independent non-executive Directors) is of the view that the proposed annual caps under the Services Agreement for the three years ending 31 December 2027 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICES AGREEMENT

Pursuant to the Services Agreement, the Group will sell CKDs to the Geely Holding Group, and purchase CBUs from the Geely Holding Group for a term of three years from 1 January 2025 to 31 December 2027. Under the Services Agreement, the Geely Holding Group will perform final assembly of the CKDs purchased from the Group, facilitate payment of the PRC consumption tax, and then sell the CBUs assembled from the CKDs back to the Group for distribution to end customers.

As at the Latest Practicable Date, the Group did not possess the automobile catalogue issued by the National Development Reform Commission in the PRC, which is required to effect payment of the PRC consumption tax, due to restrictions imposed on foreign automobile manufacturers regarding possession of the automobile catalogue 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 Group is aware that such restrictions on foreign automobile manufacturers have been lifted, and the Group may be able to conduct the full process of vehicle manufacturing through its domestic subsidiaries under current foreign investment policies.

The Group has been actively communicating with the relevant local departments to apply for the automobile catalogue to obtain the necessary production qualifications and meet the relevant filing requirements for the automobile catalogue application.

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

The Board (including the independent non-executive Directors) is of the view that the above arrangement will ensure smooth operation of the Group as the services to be provided by the Geely Holding Group, which possesses the said automobile catalogue, will facilitate the payment of such PRC consumption tax.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE SERVICES AGREEMENT

Sale of CKDs from the Group to the Geely Holding Group

For the sales of CKDs by the Group, the operation department of the Group will review the relevant cost and benefit items, which include mainly distribution costs, the applicable PRC taxes 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 manager of the finance department of the Group (the "**Finance Department**") 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 an annual 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.

Purchase of CBUs by the Group from the Geely Holding Group

For the purchases of CBUs by the Group, the sales department of the Group will keep track of the expected selling price of vehicles and relevant cost items, which mainly include distribution costs, and will review such information on a monthly basis and determine the selling price of vehicles on a quarterly basis when the market is stable (or more frequently if it is determined necessary) to ensure the fairness of the selling price of the CBUs. The Finance Department 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.

The Group will implement the following measures to ensure that the annual transaction amounts under the Services Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the sales volume of the CKDs and/or purchase volume of CBUs to ensure that the respective annual caps under the Services Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Services Agreement will not be exceeded.

The internal audit department of the Group will also conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently in the case of substantial market changes such as material shortage of chips, coupled with the latest business developments of the Group) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on the continuing connected transactions annually and confirm whether the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and whether the transactions are carried out according to the principal terms of the agreements and are in the interests of the Company and the Shareholders as a whole. The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

(B) Automobile Components Sales and Purchase Agreement

Reference is made to the Company's announcement dated 15 September 2023 in relation to the Existing Automobile Components Sales and Purchase Agreement, which will expire on 31 December 2024.

In light of (i) the upcoming expiry of the Existing Automobile Components Sales and Purchase Agreement and (ii) the annual cap under the Existing Automobile Components Sales and Purchase Agreement for the year ending 31 December 2024 is expected to be exceeded due to the increase in demand for the automobile components to be sold by the Group to the Geely Holding Group and the LYNK & CO Group that will be used in Volvo brand vehicles, LYNK & CO brand vehicles, ZEEKR brand vehicles, LEVC brand vehicles, etc., on 15 August 2024 (after trading hours), the Company, Geely Holding, LYNK & CO, ZEEKR, LEVC, Geely Technology, YoeNing Technology, InfiMotion and Geely Sunwoda entered into the Automobile Components Sales and Purchase Agreement to streamline the continuing connected transactions in relation to the sale and purchase of automobile components for a term starting from the effective date of the agreement and ending on 31 December 2026. The Existing Automobile Components Sales and Purchase Agreement will be terminated upon the Automobile Components Sales and Purchase Agreement becoming effective.

Subject matter

Pursuant to the Automobile Components Sales and Purchase Agreement, the Group conditionally agreed to (i) sell automobile components to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, and the LEVC Group for use mainly in Volvo brand vehicles, LYNK & CO brand vehicles, ZEEKR brand vehicles, LEVC brand vehicles, etc.; and (ii) purchase automobile components for use mainly in Geely brand vehicles, smart brand vehicles, ZEEKR brand vehicles, etc. from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group (collectively, the "**Suppliers Group**").

The automobile components to be sold by the Group are distinct from the automobile components to be purchased by the Group under the Automobile Components Sales and Purchase Agreement. The automobile components to be sold by the Group mainly consist of battery products, including battery packs, electric drives, chargers, etc. The automobile components to be purchased by the Group mainly include auto parts such as electronic control system products, display screens, seats and battery products. The battery products to be sold by the Group will be mainly used in Volvo brand vehicles, LYNK & CO brand vehicles and ZEEKR brand vehicles and LEVC brand vehicles, whereas the battery products to be purchased by the Group will be mainly used in Geely brand vehicles, ZEEKR brand vehicles and smart brand vehicles.

The sales and purchase of automobile components by the Group and the Suppliers Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than those offered to the Group by other independent third parties.

Pricing basis

The pricing basis will be determined on an arm's length basis and on normal commercial terms. For the sale of automobile components by the Group to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group, the selling price of the automobile components will be determined with reference to the prevailing market price of similar products. If such market price is not available, the selling price will be calculated on a cost-plus basis according to the actual manufacturing costs (including related taxes) plus an agreed margin rate. The margin rate is determined through arm's length negotiations between the relevant parties and falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of 24 comparable companies, as stated in the transfer pricing analysis report issued on 31 July 2023 (the "**Components Pricing Analysis Report**") prepared by an independent certified public accountant or a similarly qualified institution. The margin rates will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rates of comparable companies may change over time.

For the purchase of automobile components by the Group where such automobile components are procured by the Suppliers Group from other suppliers for onward selling to the Group, the selling price will be based on the actual costs incurred by the Suppliers Group in procuring such automobile components. For automobile components that are manufactured by the Suppliers Group, the selling price will be based on the prevailing market price of similar products. If such market price is not available, the selling price will be calculated on a cost-plus basis according to the actual manufacturing costs (including related taxes) plus an agreed margin rate, which falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of the comparable companies, as stated in the Components Pricing Analysis Report. The margin rate will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rate of comparable companies may change over time.

Term

Starting from the effective date of the Automobile Components Sales and Purchase Agreement and ending on 31 December 2026

Payment terms

All payments in respect of the automobile components provided under the Automobile Components Sales and Purchase Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Automobile Components Sales and Purchase Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Automobile Components Sales and Purchase Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Automobile Components Sales and Purchase Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, the Board is of the view that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders.

Condition precedent to the Automobile Components Sales and Purchase Agreement

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

If the above condition has not been fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Automobile Components Sales and Purchase Agreement will be terminated.

Historical transactions amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2023 and the five months ended 31 May 2024; and (ii) the annual caps for the sale and purchase of automobile components by the Group pursuant to the Existing Automobile Components Sales and Purchase Agreement for the three years ended/ending 31 December 2024.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the five months ended 31 May	Announced annual caps for the year ended/ ending 31 December		
	2022	2023	2024	2022	2023	2024
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Audited)	(Audited)	(Unaudited)			
Sales of automobile components by the Group	11,011.6	14,419.3	9,774.3	13,750.9	14,874.1	17,645.2
Utilisation rate of annual caps				80.1%	96.9%	55.4%(Note)
Purchase of automobile components by the Group	6,486.5	15,022.2	8,967.3	10,528.3	17,691.2	38,358.6
Utilisation rate of annual caps				61.6%	84.9%	23.4%(Note)

Note: The utilisation rate of the annual cap for the year ending 31 December 2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the approved annual cap for the full financial year ending 31 December 2024.

As at the Latest Practicable Date, the Board confirmed that the actual transaction amounts for (i) the sale of automobile components under the Existing Automobile Components Sales and Purchase Agreement, and (ii) the purchase of automobile components under the Existing Automobile Components Sales and Purchase Agreement have not exceeded their respective annual caps for the year ending 31 December 2024.

The relatively low utilisation rate of the annual cap for the purchase of automobile components by the Group under the Existing Automobile Components Sales and Purchase Agreement in 2022 compared to 2023 was because the majority of procurement commenced in 2023.

The table below sets out the proposed annual caps for the sale and purchase of automobile components by the Group under the Automobile Components Sales and Purchase Agreement for the three years ending 31 December 2026.

	Proposed annual caps for the year ending 31 December		
	2024	**2025**	**2026**
	RMB million	*RMB million*	*RMB million*
Sale of automobile components by the Group	26,956	22,895.3	18,588.1
Purchase of automobile components by the Group	31,080.3	36,413	40,245.7

Basis of determination of the proposed annual caps

The proposed annual caps for the sale of automobile components by the Group to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group were determined with reference to (i) the projected units of each model of automobile components for use mainly in the Volvo brand vehicles, the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the LEVC brand vehicles, etc. for the three years ending 31 December 2026; (ii) the projected unit sales of the Volvo brand vehicles, the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the LEVC brand vehicles, etc. which are manufactured with the aforesaid automobile components for the three years ending 31 December 2026; (iii) the estimated unit selling price for each type of automobile components which are determined with reference to the historical price and/or the prevailing market price of similar products for the three years ending 31 December 2026; and (iv) the margin rate which falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of the comparable companies, as stated in the Components Pricing Analysis Report for the sole purpose of calculating the annual cap amounts.

The proposed annual caps for the purchase of automobile components by the Group from the Suppliers Group were determined with reference to (i) the projected number of units of each type of automobile components for use mainly in the Geely brand vehicles, the smart brand vehicles, the ZEEKR brand vehicles, etc.; (ii) the projected unit sales of the Geely brand vehicles, the smart brand vehicles, the ZEEKR brand vehicles, etc., for the three years ending 31 December 2026; (iii) the projected purchase price for each type of automobile components with reference to the prevailing market price or the estimated cost of such automobile components if market prices are not available; and (iv) the margin rate which falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of the comparable companies, as stated in the Components Pricing Analysis Report for the sole purpose of calculating the annual cap amounts.

The increase in the proposed annual caps for the purchase of automobile components by the Group for the three years ending 31 December 2026, compared to the historical transaction amount for the year ended 31 December 2023, is due to the expected increase in demand for automobile components, such as batteries and components for charging stations, for use in Geely brand vehicles and ZEEKR brand vehicles. The increase is anticipated as a result of the introduction of new vehicle models under the Geely and ZEEKR brands during 2024 to 2026.

In addition, the increase in the proposed annual caps for the sale of automobile components by the Group for the year ending 31 December 2024, compared to the historical transaction amount for the year ended 31 December 2023, is due to an unexpected increase in demand for automobile components to be used by Geely Holding Group. The decrease in the proposed annual caps for the sale of automobile components by the Group for the two years ending 31 December 2026 is due to the lower demand for automobile components to be used by the Geely Holding Group and the LYNK & CO Group.

The Board (including the independent non-executive Directors) is of the view that the proposed annual caps under the Automobile Components Sales and Purchase Agreement for the three years ending 31 December 2026 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS OF ENTERING INTO THE AUTOMOBILE COMPONENTS SALES AND PURCHASE AGREEMENT

By entering into the Automobile Components Sales and Purchase Agreement, the Company aims to streamline the continuing connected transactions in relation to the sales and purchase of automobile components and therefore reduce the number of continuing connected transactions agreements. Meanwhile, the Group seeks to secure a stable and reliable source of raw materials for manufacturing automobile components (including electric batteries) by leveraging on its relationships with the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the LEVC Group, the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group. The Automobile Components Sales and Purchase Agreement will facilitate the manufacturing of the Geely brand vehicles, the ZEEKR brand vehicles, the LYNK & CO brand vehicles, etc.

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

Having considered the foregoing, the Board (including the independent non-executive Directors) is of the view that the Automobile Components Sales and Purchase Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms and the proposed annual caps of the Automobile Components Sales and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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

For the sale of automobile components to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group, the Group will determine the selling price with reference to the prevailing market price of similar products. The Group will obtain price information of similar products on best effort basis for comparison in order to determine the selling price of the automobile components. The Group, Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group will review the cost components on an annual basis to ensure the prices properly reflect the level of actual costs incurred by those parties in such transactions.

For the purchase of automobile components from the Suppliers Group, if such automobile components are manufactured by the Suppliers Group, the Group will (i) obtain quotation of similar products from one or two independent third-party supplier(s); or (ii) obtain price information from publicly available source to compare the prices offered by the Suppliers Group. The Group and the Suppliers Group will negotiate the terms of such transactions to ensure that the prices properly reflect the level of market prices of the automobile components in such transactions. If such automobile components are procured by the Suppliers Group from other suppliers for onward selling to the Group, the Group and the Suppliers Group will review the cost components on an annual basis to ensure that the prices properly reflect the level of actual costs incurred by those parties in such transactions.

The Group will implement the following measures to ensure that the annual transaction amounts under the Automobile Components Sales and Purchase Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the sales and/or purchase volume of automobile components to ensure that the respective annual caps under the Automobile Components Sales and Purchase Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Automobile Components Sales and Purchase Agreement will not be exceeded.

The internal audit department of the Group will also conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently in the case of substantial market changes such as material shortage of chips, coupled with the latest business developments of the Group) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on the continuing connected transactions annually and confirm whether the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and whether the transactions are carried out according to the principal terms of the agreements and are in the interests of the Company and the Shareholders as a whole. The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

(C) Operation Services Agreement

References are made to the Company's announcement dated 9 June 2023 in relation to the 2023 Operation Services Agreement and the Company's announcement dated 7 February 2024 in relation to the Supplemental Operation Services Agreement entered into between the Company, Geely Holding, LYNK & CO, ZEEKR and Geely Technology.

In light of the annual caps under the Supplemental Operation Services Agreement for the two years ending 31 December 2025 are expected to be exceeded due to the Supplemental Operation Services Agreement did not include Aurobay Technology, Geely Changxing, Lotus Technology, JIDU, smart, Tianjin Chunqing, Farizon Technology, Commercial Vehicle, Livan Automotive and YoeNing Technology as contracting parties, on 15 August 2024 (after trading hours), the Company, Geely Holding, LYNK & CO, ZEEKR, Geely Technology, Aurobay Technology, Geely Changxing, Lotus Technology, JIDU, smart, Tianjin Chunqing, Farizon Technology, Commercial Vehicle, Livan Automotive and YoeNing Technology entered into the Operation Services Agreement, to revise the relevant annual caps for the two years ending 31 December 2025 and propose for the annual cap for the year ending 31 December 2026. The Operation Services Agreement is valid for a term starting from the completion date of its conditions precedent and ending on 31 December 2026. This new agreement will supersede the Supplemental Operation Services Agreement.

Subject matter

Pursuant to the Operation Services Agreement, the Group conditionally agreed to (i) provide to the Geely Holding and Related Party Groups operation services that mainly include, but are not limited to, IT, logistics and warehousing services, supplier quality engineering services, procurement services, back-office support services (including but not limited to, accounting services, human resources services, etc.), testing and trial production services, and other services; and (ii) procure from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group operation services that mainly include, but are not limited to, business travel services, IT, back-office support services (including but not limited to marketing and publicity services, legal services, etc.), charging rights services, testing and trial production services, and other services.

Term

Starting from the effective date of the Operation Services Agreement and ending on 31 December 2026

Payment terms

All payments in respect of the operation services provided under the Operation Services Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Operation Services Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Operation Services Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Operation Services Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, the Board is of the view that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders.

Conditions precedent to the Operation Services Agreement

The Operation Services Agreement is subject to the Company (i) having obtained the necessary approvals and/or consents from third parties (if applicable); and (ii) having complied with the relevant requirements of the Listing Rules with regard to continuing connected transactions contemplated under the agreement.

If the above conditions have not been fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Operation Services Agreement will be terminated.

Pricing basis

Pursuant to the Operation Services Agreement, the operation services fee will be determined on the arm's length negotiations between the relevant parties. The parties will refer to the market price of similar services, and if there is no such reference, the price will be determined based on (i) the costs incurred for providing the relevant services (excluding outsourcing costs (if applicable)) plus a margin rate with reference to the range between the lower quartile and the upper quartile of the three-year weighted average cost-plus margin rate of 16, 10, 15, 14, 11 and 11 comparable companies providing similar services, as stated in six transfer pricing analysis reports prepared by an independent certified public accountant firm, all of which were issued on 24 November 2023 (the "**Operation Services Transfer Pricing Analysis Reports**"); and (ii) the actual outsourcing costs (if applicable). The margin rates will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rates of comparable companies may change over time.

Historical transactions amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the year ended 31 December 2023 and the five months ended 31 May 2024; and (ii) the annual caps for the service fees receivable by the Group and payable to the Group pursuant to the 2023 Operation Services Agreement and the Supplemental Operation Services Agreement for the three years ended/ending 31 December 2025.

	Historical transaction amounts for the year ended 31 December 2023	Historical transaction amount for the five months ended 31 May 2024	Announced annual caps for the year ended/ ending 31 December		
			2023	2024	2025
	RMB million (Audited)	*RMB million* (Unaudited)	*RMB million*	*RMB million*	*RMB million*
2023 Operation Services Agreement					
Service fees receivable by the Group for the provision of operation services to the Geely Holding Group, the LYNK & CO Group and the ZEEKR Group	1,046.2		1,550.6		
Utilisation rate of annual caps			67.5%		
Service fees payable to the Geely Holding Group and the LYNK & CO Group for the provision of operation services to the Group	1,499		1,581.4		
Utilisation rate of annual caps			94.8%		
Supplemental Operation Services Agreement					
Service fees receivable by the Group for the provision of operation services to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the Geely Technology Group		500.3		1,769.9	2,260.9
Utilisation rate of annual caps				28.3%*(Note)*	
Service fees payable to the Geely Holding Group, the LYNK & CO Group and the Geely Technology Group for the provision of operation services to the Group		492.1		1,613.6	1,136.9
Utilisation rate of annual caps				30.5%*(Note)*	

Note: The utilisation rate of the annual cap for the year ending 31 December 2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the announced annual cap for the full financial year ending 31 December 2024.

As at the Latest Practicable Date, the Board confirmed that the actual transaction amounts for (i) the provision of operation services under the Supplemental Operation Services Agreement, and (ii) the procurement of operation services under the Supplemental Operation Services Agreement have not exceeded their respective annual caps for the year ending 31 December 2024.

The table below sets out the proposed annual caps for the service fees receivable by the Group and payable to the Group pursuant to the Operation Services Agreement for each of the three years ending 31 December 2026.

	Proposed annual cap for the year ending 31 December		
	2024	**2025**	**2026**
	RMB million	*RMB million*	*RMB million*
Service fees receivable by the Group for the provision of operation services to the Geely Holding and Related Party Groups	3,887.2	8,785.2	10,083.2
Service fees payable to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group for the provision of operation services to the Group	3,286.6	3,276.9	3,503

Basis of determination of the proposed annual caps

The proposed annual caps for operation services to be provided by the Group were determined with reference to (i) the projected staff costs of the Group to perform IT and other administrative functions for each of the three years ending 31 December 2026 with an expected year-on-year growth of 5% from 2024 to 2026 as it is expected the staff costs would increase steadily from 2024 to 2026; (ii) the estimated portion of the IT and other administrative functions solely for the Geely Holding and Related Party Groups, compared with the Group's overall IT and administrative functions (the estimated transaction amounts for providing such services increased by more than 300% for 2024, with the significant increment from 2023 to 2024 mainly attributable to the inclusion of additional contracting parties to the Operation Services Agreement; the change for 2025 and 2026 is expected to be stable), based on historical costs incurred by each party; (iii) the estimated costs (including but not limited to transportation, packaging, and labour costs) for the transportation of each vehicle with expected decrease in cost of approximately 5% and 40% for 2024 and 2025 due to expected cost reduction synergy and expected increase in cost of approximately 10% for 2026 due to higher cost for longer distance transportation, based on projected costs for logistic services; (iv) the estimated number of vehicles for which the Group will provide logistic and warehousing services for each of the three years ending 31 December 2026 with an expected year-on-year growth up to approximately 600% for 2024 to 2025 due to the expansion plan of various brands to international markets while the expected year-on-year growth for 2026 would decrease to approximately 10%; (v) the projected total staff working hours required for supplier quality engineering services and procurement functions for each of the three years ending 31 December 2026, with an expected year-on-year increase of approximately 200% for 2024 (because some of the supplier quality engineering services commenced in 2024) and an expected increase ranging from approximately 10% to 20% for 2025 and 2026; (vi) the projected hourly cost for staff in supplier quality engineering services and procurement functions with no increment for 2024 to 2026 considering the stability of the labour market, based on historical costs; and (vii) the margin rates for services in relation to IT, logistics, supplier quality engineering services, procurement services, testing and trial production services and other administrative functions, relative to estimated costs, with reference to the Operation Services Transfer Pricing Analysis Reports.

The increase in proposed annual caps for operation services to be provided by the Group for 2024 compared to historical transaction amounts for the five months ended 31 May 2024 was primarily attributable to (i) the inclusion of additional contracting parties to the Operation Services Agreement, which led to an over 500% increase in IT, testing and trial production services; (ii) commencement of most supplier quality engineering services during the second half of 2024, which led to approximately a 16-fold increase in supplier quality engineering services; and (iii) introduction of new vehicle models during the second half of 2024, which led to an approximately 380% increase in logistic and back-office support services in relation to new vehicle models.

The proposed annual caps for operation services to be provided by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group to the Group were determined with reference to (i) the projected total costs required for operation services for each of the three years ending 31 December 2026 with an expected year-on-year increase of approximately 119% for 2024 since the Group commenced procuring some of the services, e.g. IT services in order to streamline its production process by utilising advanced software and information systems during 2023 to 2024 while the expected year-on-year increase for 2025 and 2026 ranging from approximately 0% to 7%; (ii) the estimated number of domestic and international business travels, exhibitions and conferences required by the Group, determined based on the projected business volumes of the Group for each of the three years ending 31 December 2026 with an expected year-on-year increase of approximately 53% for 2024 driven by the more exhibitions and vehicle model roll-out plans during the second half of 2024 while the expected year-on-year increase for 2025 and 2026 ranging from approximately 14% to 16%; (iii) the estimated average price for air tickets, accommodations and other transportation, as well as exhibition and conference-related services with an expected year-on-year growth of 10% from 2024 to 2026 as it is expected the tourism industry would grow steadily from 2024 to 2026; (iv) the market price of software and development services with an expected year-on-year growth of 3% from 2024 to 2026; (v) the projected hourly cost for the staff in relation to IT services with an expected year-on-year growth of 5% from 2024 to 2026 as it is expected the staff costs would increase steadily from 2024 to 2026; (vi) the average unit price of electricity and the estimated number of NEVs requiring charging services for each of the three years ending 31 December 2026 with an expected year-on-year growth of approximately 40% for 2024 as the Group is expanding its cooperation with Geely Holding for charging services while the expected year-on-year increase for 2025 and 2026 ranging from approximately 15% to 16%; the price of electricity is expected to have no price increment for 2024 to 2026 considering the stability of the historical electricity price; and (vii) the margin rates for the respective operation services, relative to estimated costs, with reference to the Operation Services Transfer Pricing Analysis Reports.

The increase in proposed annual caps for operation services to be provided by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group, and the Geely Changxing Group to the Group for 2024 compared to historical transaction amounts for the five months ended 31 May 2024 was primarily attributable to (i) the introduction of new vehicle models during the second half of 2024, which led to an over 300%

increase in business travel services and back-office support services in relation to new vehicle models; and (ii) commencement of procuring some operation services during the second half of 2024, which led to an over 700% increase in IT, charging rights services, etc.

The increase in the proposed annual caps for the provision of operation services to the Geely Holding and Related Party Groups for the two years ending 31 December 2026 is primarily due to (i) the majority of logistic services to be provided to the Geely Holding and Related Party Groups will commence in 2025 and (ii) it is expected that the demand for logistic services, supplier quality engineering services and other services will increase for the two years ending 31 December 2026.

Having considered the foregoing, the Board (including the independent non-executive Directors) is of the view that the Operation Services Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms and the proposed annual caps of the Operation Services Agreement 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 OPERATION SERVICES AGREEMENT

To cope with increasing competition in the NEVs industry, the Group has been actively expanding its cooperation with suppliers of power supplies and charging services. The collaboration with the Geely Holding Group in procuring charging services for NEVs will enhance the Group's bargaining power and result in cost reductions.

It is expected that the demand for domestic and international business travels, as well as exhibitions and conferences, will significantly rise in anticipation of the economic recovery. By collaborating with the Geely Technology Group in marketing and business travel services, the Group aims to achieve cost reductions.

Further, the Group has streamlined its production process by utilising advanced software and information systems shared by the Geely Holding Group and the LYNK & CO Group. To support the digital transformation of the operating system, the Group is hiring additional IT and research staff through the human resources services provided by the Geely Holding Group, sharing the associated costs on a pro-rata basis. The sharing of resources among the Group, Geely Holding Group, the LYNK & CO Group and the ZEEKR Group will improve operating efficiency and reduce technological costs for the Group.

Additionally, the Group hopes to follow the long-term development trend of the logistics industry and enhance its competitiveness in the logistics market. Through resource integration, the Group aims to expand its economies of scale and achieve synergistic cost reductions. Taking the logistics services system within the Group as the foundation, the Group plans to gradually extend its client resources along the upstream and downstream of the industrial chain, connect the automotive parts and raw materials supply chain as well as the downstream consumer chain, and explore the logistics needs of other clients in the upstream and downstream enterprises.

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

The Board (including the independent non-executive Directors) believes that entering into the Operation Services Agreement is beneficial to the Group as (i) the terms of the operation services provided by the Group will not be less favourable than those offered to the Geely Holding and Related Party Groups by the independent third parties; (ii) for the operation services to be provided by the Group to the Geely Holding and Related Party Groups which are charged with reasonable margin rates relative to the actual costs (excluding outsourcing costs), such operation services will generate additional revenue and income for the Group; (iii) the operation services to be provided by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group to the Group will be on terms no less favourable than those offered to the Group by the independent third parties; and (iv) the operation services to be provided by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group to the Group are expected to be more suitable for the Group's needs based on the longstanding cooperation and relationship among the Group, the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group. This will also help the Group to save on additional human resources.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE OPERATION SERVICES AGREEMENT

The finance manager of the Finance Department will compare the operation service fees with the similar existing operation services received from independent third parties (if any) to determine the market rates for the operation services. If there are no such market rates, the finance manager of the Finance Department will monitor the relevant cost items, as well as other necessary and reasonable expenses on an annual basis (or more frequently if it is determined necessary) for each type of operation services provided by the Group to Geely Holding and Related Party Groups and ensure that the service fees charged for such operation services are determined properly.

The finance manager of the Finance Department will negotiate with the Geely Holding and Related Party Groups the terms of such transactions on an annual basis (or more frequently if it is determined necessary) to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

The Group will implement the following measures to ensure that the annual transaction amounts under the Operation Services Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the provision and/or procurement volume of operation services to ensure that the respective annual caps under the Operation Services Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Operation Services Agreement will not be exceeded.

In relation to the aforesaid internal control measures, the internal audit department of the Group will conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently in the case of substantial market changes such as the changes caused by pandemic outbreak and national lockdowns, coupled with the latest business developments of the Group) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor reviews and confirms whether all continuing connected transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

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 was beneficially wholly-owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial shareholder holding approximately 41% 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.

LEVC

LEVC is a limited liability company established in the PRC and was owned as to 50% by Geely Holding and 50% by Geely Ningbo, which is in turn wholly-owned by Mr. Li and his associate as at the Latest Practicable Date. LEVC is principally engaged in the R&D, procurement, sale of electric mobility related products, including its intelligent pure electric vehicles, and provide related services.

LYNK & CO

LYNK & CO is a Chinese-foreign-equity joint venture of the Company established in the PRC and was owned as to 50% by Ningbo Geely, as to 20% by Geely Holding and as to 30% by VCI as at the Latest Practicable Date. VCI is an indirect non-wholly-owned subsidiary of Geely Holding. LYNK & CO is principally engaged in the manufacture and sale of LYNK & CO brand vehicles. It also provides after-sales parts.

Geely Technology

Geely Technology is a limited liability company established in the PRC. As at the Latest Practicable Date, Geely Technology was indirectly owned as to more than 85% by Mr. Li and his associate. Geely Technology's core businesses include new materials, new energy, and motorcycle travel culture. It also makes strategic investments in low-altitude travel, commercial aerospace, and innovation incubation businesses.

YoeNing Technology

YoeNing Technology is a limited liability company established in the PRC. As at the Latest Practicable Date, YoeNing Technology was indirectly owned as to more than 90% by Mr. Li and his associate. YoeNing Technology is principally engaged in the automotive industry and NEV in the PRC, with a business scope covering autoparts, new energy, and phosphate-related industries.

InfiMotion

InfiMotion is a limited liability company established in the PRC. As at the Latest Practicable Date, InfiMotion was indirectly owned as to more than 30% by Mr. Li and his associate. InfiMotion's core businesses include research, development, manufacturing, and sales of pure electric vehicle and hybrid vehicle electric drive systems, as well as technology development services.

Geely Sunwoda

Geely Sunwoda is a joint venture company of the Company established in the PRC and was indirectly owned as to 41.5% by the Group, as to 28.5% by Mr. Li and his associate and as to 30% by an independent third party as at the Latest Practicable Date. Geely Sunwoda's core businesses include research, development, manufacturing, and sales of new energy batteries, as well as the research, development, manufacturing, and sales of autoparts and components, and the provision of other related services.

Aurobay Technology and Geely Changxing

Aurobay Technology and Geely Changxing are limited liability companies established in the PRC. As at the Latest Practicable Date, each of them was indirectly owned as to 33% by the Group and as to 17% by Mr. Li and his associate. Aurobay Technology and its subsidiaries are principally engaged in the research and development, manufacturing, processing, sales, technical services and supply of relevant after-sales parts of engines and transmissions in the PRC. Geely Changxing's core businesses include research and development, production, sales, and related technical services for transmissions and their components.

Lotus Technology

Lotus Technology is a limited liability company established in the PRC. As at the Latest Practicable Date, it was indirectly owned as to more than 30% by Mr. Li and his associate. Lotus Technology is principally engaged in the R&D, procurement and sales of Lotus brand sports vehicles and life-style vehicles, and offering related services.

JIDU

JIDU is a company incorporated in the Cayman Islands. As at the Latest Practicable Date, JIDU was owned as to more than 30% by Mr. Li and his associate. JIDU is principally engaged in the R&D, procurement, sale of electric mobility related products, including intelligent electric vehicles, and the provision of related services.

smart

smart is a limited liability company established in the PRC. As at the Latest Practicable Date, it was owned as to more than 30% by Mr. Li and his associate. smart is principally engaged in the R&D, sales and export of electric vehicle and parts, etc.

Tianjin Chunqing

Tianjin Chunqing is a limited liability company established in the PRC. As at the Latest Practicable Date, it was ultimately owned as to more than 80% by Mr. Li and his associates. Tianjin Chunqing is principally engaged in the research and development of commercial vehicles, the trading of complete vehicles and autoparts, the preparation, trading and refueling services of methanol, vehicle leasing, transportation services, as well as investment and holding business.

Farizon Technology

Farizon Technology is a limited liability company established in the PRC. As at the Latest Practicable Date, it was ultimately owned as to more than 70% by Mr. Li and his associates. Farizon Technology is principally engaged in research and development, trading of commercial vehicles, production and trading of automotive parts, construction and operation of charging and swapping stations, vehicle leasing, transportation services, as well as investment and holding business.

Commercial Vehicle

Commercial Vehicle is a limited liability company established in the PRC. As at the Latest Practicable Date, it was ultimately wholly-owned by Mr. Li and his associates. Commercial Vehicle is principally engaged in the research and development, manufacturing, trading of commercial vehicles and automotive parts, as well as investment and holding business.

Livan Automotive

Livan Automotive is a limited liability companies established in the PRC. As at the Latest Practicable Date, it was indirectly owned as to more than 30% by Mr. Li and his associate. Livan Automotive is principally engaged in the provision of battery swapping vehicles and services.

ZEEKR

ZEEKR is a limited liability company incorporated in the Cayman Islands and as at the Latest Practicable Date, ZEEKR was owned as to approximately 51.5% (on a fully-diluted basis) by the Company, and was owned as to approximately 11.3% (on a fully-diluted 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.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, Geely Holding, was the substantial shareholder of the Company holding 3,925,221,000 Shares, which was approximately 39% of the total issued share capital of the Company. As such, Geely Holding was a connected person of the Company under the Listing Rules. Geely Technology was indirectly owned as to more than 85% by Mr. Li and his associate as at the Latest Practicable Date. As such, Geely Technology is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

LYNK & CO was owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding and VCI, respectively. VCI was an indirect non-wholly-owned subsidiary of Geely Holding. As such, LYNK & CO is an associate of Geely Holding and a connected person of the Company under the Listing Rules.

As at the Latest Practicable Date, ZEEKR was owned as to approximately 51.5% (on a fully diluted basis) by the Company, and was owned as to approximately 11.3% (on a fully-diluted basis) by Geely Holding. ZEEKR was hence a connected subsidiary of the Company under the Listing Rules.

Lotus Technology was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Lotus Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules. JIDU is owned as to more than 30% by Mr. Li and his associate. As such, JIDU was an associate of Mr. Li and a connected person of the Company under the Listing Rules. LEVC is owned as to 50% by Geely Holding and 50% by Geely Ningbo, which is in turn wholly-owned by Mr. Li and his associate. As such, LEVC was a connected person of the Company under the Listing Rules. smart is owned as to more than 30% by Mr. Li and his associate. As such, smart was an associate of Mr. Li and a connected person of the Company under the Listing Rules. Livan Automotive was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Livan Automotive was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

YoeNing Technology was owned as to more than 90% by Mr. Li and his associate. As such, YoeNing Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

InfiMotion was indirectly owned as to more than 30% by Mr. Li and his associate. As such, InfiMotion was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Geely Sunwoda was indirectly owned as to 41.5% by the Group and as to 28.5% by Mr. Li and his associate. Under Rule 14A.14 of the Listing Rules, Geely Sunwoda was an associate of Mr. Li and a connected person of the Company.

Each of Aurobay Technology and Geely Changxing was indirectly owned as to 33% by the Group and as to 17% by Mr. Li and his associate. Under Rule 14A.14 of the Listing Rules, each of them was an associate of Mr. Li and a connected person of the Company.

Farizon Technology was ultimately owned as to more than 70% by Mr. Li and his associates. As such, Farizon Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Commercial Vehicle was ultimately wholly-owned by Mr. Li and his associates. As such, Commercial Vehicle was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Tianjin Chunqing was ultimately owned as to more than 80% by Mr. Li and his associates. As such, Tianjin Chunqing was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The transactions contemplated under the Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement constitute continuing connected transactions for the Company. As one or more of the applicable percentage ratios of the proposed annual caps for each of (i) the Services Agreement; (ii) the Automobile Components Sales and Purchase Agreement; and (iii) the Operation Services Agreement exceed 5% on an annual basis, the transactions contemplated under each of the aforesaid agreements are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, respectively.

GENERAL

Mr. Li and Mr. Li Dong Hui, Daniel, 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 and Mr. Li Dong Hui, Daniel 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 Automobile Components Sales and Purchase Agreement and the Operation Services Agreement by virtue of their interests 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 resolutions for approving the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement.

Mr. Li and his associates together holding 4,144,858,000 Shares (representing approximately 41.16% 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), and 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) 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.

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), 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) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement and the transactions contemplated thereunder.

Mr. An Cong Hui, the former executive Director, 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), as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement and the transactions contemplated thereunder.

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-4 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 Thursday, 10 October 2024 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 38 to 78 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 36 to 37 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.

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 36 to 37 and pages 38 to 78 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

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.

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock codes: 175 (HKD counter) and 80175 (RMB counter)

24 September 2024

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 24 September 2024 (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, are 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 35 of the Circular and the letter from the Independent Financial Adviser as set out on pages 38 to 78 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.

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, on normal commercial terms, and are fair and reasonable and in the interests of the

Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders 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. Gao Jie **Ms. Yu Li Ping, Jennifer**

Mr. Zhu Han Song
Independent Non-executive Directors

BALLAS
CAPITAL
A subsidiary of Crosby

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

24 September 2024

To the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

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, 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 24 September 2024, 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. The Group has historically been conducting the continuing connected transactions which include (a) selling CKDs to and purchasing the CBUs from the Geely Holding Group; (b) selling and purchasing automobile components; and (c) receiving and providing operation services including IT, logistics, supplier quality engineering services, business travel services, back-office support services, etc. (the "**Continuing Connected Transactions**").

In light of (i) the upcoming expiry of the Existing Services Agreement, Supplemental Services Agreement and the Existing Automobile Components Sales and Purchase Agreement on 31 December 2024; (ii) the annual cap under the Existing Automobile Components Sales and Purchase Agreement for the year ending 31 December 2024 ("**FY2024**") is expected to be exceeded due to the increase in demand for the automobile components to be sold by the Group; and (iii) the annual caps under the Supplemental Operation Services Agreement are expected to be exceeded due to the addition of contracting parties to the agreement, the Company has entered into the Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement with various connected persons of the Company in relation to the Continuing Connected Transactions such that the Company is able to continue to conduct the Continuing Connected Transactions.

As at the Latest Practicable Date, Geely Holding was the substantial shareholder of the Company holding 3,925,221,000 Shares, which represented approximately 39% of the total issued share capital of the Company. As such, Geely Holding is a connected person of the Company under the Listing Rules. Geely Technology is indirectly owned as to more than 85% by Mr. Li and his associate as at the Latest Practicable Date. As such, Geely Technology is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

As at the Latest Practicable Date, (i) LYNK & CO was owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding, and VCI, respectively. VCI was an indirect non-wholly-owned subsidiary of Geely Holding. As such, LYNK & CO is an associate of Geely Holding and a connected person of the Company under the Listing Rules; (ii) ZEEKR was owned as to approximately 51.5% (on a fully-diluted basis) by the Company, and as to approximately 11.3% (on a fully-diluted basis) by Geely Holding. ZEEKR was hence a connected subsidiary of the Company under the Listing Rules; (iii) Lotus Technology was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Lotus Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (iv) JIDU was owned as to more than 30% by Mr. Li and his associate. As such, JIDU was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (v) LEVC was owned as to 50% by Geely Holding and 50% by Geely Ningbo, which is in turn wholly-owned by Mr. Li and his associate. As such, LEVC was a connected person of the Company under the Listing Rules; (vi) smart was owned as to more than 30% by Mr. Li and his associate. As such, smart was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (vii) Livan Automotive was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Livan Automotive was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (viii) YoeNing Technology was owned as to more than 90% by Mr. Li and his associate. As such, YoeNing Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (ix) InfiMotion was indirectly owned as to more than 30% by Mr. Li and his associate. As such, InfiMotion was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (x) Geely Sunwoda was indirectly owned as to 41.5% by the Group and as to 28.5% by Mr. Li and his associate. Under Rule 14A.14 of the Listing Rules, Geely Sunwoda was an associate of Mr. Li and a connected person of the Company; (xi) Each of Aurobay Technology and Geely Changxing was indirectly owned as to 33% by the Group and as to 17% by Mr. Li and his associate. Under Rule 14A.14 of the Listing Rules, each of them was an associate of Mr. Li and a connected person of the Company; (xii) Farizon Technology was ultimately owned as to more than 70% by Mr. Li and his associates. As such, Farizon Technology was an associate of Mr. Li and a connected person of the Company under the Listing Rules; (xiii) Commercial Vehicle was ultimately wholly-owned by Mr. Li and his associates. As such, Commercial Vehicle was an associate of Mr. Li and a connected person of the Company under the Listing Rules; and (xiv) Tianjin Chunqing was ultimately owned as to more than 80% by Mr. Li and his associates. As such, Tianjin Chunqing was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The transactions contemplated under the Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement constitute Continuing Connected Transactions for the Company. As one or more of the applicable percentage ratios of the proposed annual caps for each of (i) Services Agreement; (ii) the Automobile Components Sales and Purchase Agreement; and (iii) the Operation Services Agreement exceed 5% on an annual basis, the transactions contemplated under each of the Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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, we were appointed as the independent financial adviser of the Company in relation to (i) certain continuing connected transactions as disclosed in the circular of the Company dated 26 October 2022; (ii) the acquisition of Xi'an Geely and certain continuing connected transactions as disclosed and defined in the circular of the Company dated 6 April 2023; (iii) the acquisitions of certain equity interests of Proton and DHG as disclosed and defined in the circular of the Company dated 6 April 2023; (iv) the Contribution Agreement, the Joint Venture Agreement and the Powertrain Purchase Agreement and the transactions contemplated thereunder, as disclosed and defined in the circular of the Company dated 6 September 2023; (v) certain continuing connected transactions as disclosed in the circular of the Company dated 8 November 2023; and (vi) this appointment in relation to the Continuing Connected Transactions (collectively, the "**IFA Engagements**"). We were also appointed as the independent financial adviser of Honbridge Holdings Limited ("**Honbridge**") in relation to an unconditional cash offer by Geely Group Limited, which is beneficially owned by Mr. Li, as disclosed in the composite document of Honbridge dated 23 February 2023 (the "**Other IFA Engagement**"). Save for the IFA Engagements and the Other IFA Engagement, 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 could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Furthermore, our remuneration for each of the IFA Engagements and Other IFA Engagement represented normal professional fees and did not affect our independence. Accordingly, we consider we are eligible to give independent advice on 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. The documents we reviewed included (i) the annual reports of the Company for the years ended 31 December 2022 and 2023; (ii) the interim reports of the Company for the six months ended 30 June 2023 and 2024; (iii) the Services Agreement; (iv) the Automobile Components Sales and Purchase

Agreement; (v) the Operation Services Agreement; (vi) the sales plan of the respective brand vehicles; (vii) the calculation of annual caps under each of the agreements; (viii) respective transfer pricing analysis reports; and (ix) the Circular. 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 Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Group

1.1. Historical financial performance of the Group

Set out below is a summary of the financial results of the Group for the three years ended 31 December 2021 ("**FY2021**"), 2022 ("**FY2022**"), 2023 ("**FY2023**") and the six months ended 30 June 2023 ("**6M2023**") and 2024 ("**6M2024**") as extracted from the Company's respective annual reports and interim reports.

	FY2021 *RMB'million*	**FY2022** *RMB'million*	**FY2023** *RMB'million*	**6M2023** *RMB'million* (Unaudited)	**6M2024** *RMB'million* (Unaudited)
Revenue					
– Sales of automobiles and related services	87,697	122,783	149,623	60,284	87,480
– Sales of automobile parts and components	8,799	8,779	10,234	4,101	6,931
– Sales of battery packs and related parts	589	8,018	10,759	5,955	9,324
– Research and development and related technological support services	3,251	6,728	6,592	1,884	3,275
– Licensing of intellectual properties	1,275	1,657	1,467	823	94
– Collaborative manufacturing income	–	–	529	135	202
Total revenue	101,611	147,965	179,204	73,182	107,305
Gross profit	17,412	20,896	27,415	10,540	16,221
Profit attributable to equity holders	4,847	5,260	5,308	1,571	10,598

6M2024 vs 6M2023

As disclosed in the interim report of the Company for 6M2024, the Group recorded revenue of approximately RMB107.3 billion for 6M2024, representing an increase of 47% as compared to that of approximately RMB73.2 billion for 6M2023. The Group sold a total of 955,730 units of vehicles for 6M2024, representing an increase of 41% from 677,920 units of vehicles sold in 6M2023. The Group's gross profit margin increased from 14% for 6M2023 to 15% for 6M2024 as a result of an optimised product mix and cost control. The Group's net profit attributable to equity holders amounted to RMB10,598 million for 6M2024, representing an increase of 575% as compared to RMB1,571 million for 6M2023, which was mainly contributed by (i) the sales volume growth; (ii) improved gross profit margin; and (iii) the one-off gain on deemed disposal of subsidiaries and an impairment loss on assets classified as held for sale, which in aggregate amounted to approximately RMB7.5 billion.

FY2022 vs FY2021

As disclosed in the annual report of the Company for FY2022, the Group recorded revenue of approximately RMB148.0 billion for FY2022, representing an increase of 46% as compared to that of approximately RMB101.6 billion for FY2021. The Group sold a total of 1,432,988 units of vehicles in FY2022, representing an increase of 8% from 1,328,031 units of vehicles sold in FY2021. As the new energy vehicles recorded a lower gross margin ratio as compared to that of fuel vehicles while their proportion increased rapidly, the Group's gross margin ratio decreased by 3% to 14% for FY2022 as compared to FY2021. The Group's net profit attributable to equity holders increased by 9% to approximately RMB5.3 billion for FY2022, which was contributed by the improvement in the Group's sales performance for FY2022, whilst the impacts brought by the surging costs of batteries, chips and other parts and components as well as significant investment the Group made to ZEEKR during its early development stage put pressure on the profitability of the Group during FY2022.

FY2023 vs FY2022

As disclosed in the annual report of the Company for FY2023, the Group recorded revenue of approximately RMB179.2 billion for FY2023, representing an increase of 21% as compared to that of approximately RMB148.0 billion for FY2022. The Group sold a total of 1,686,516 units of vehicles in FY2023, representing an increase of approximately 18% from 1,432,988 units of vehicles sold in FY2022. Despite the increase in the proportion of new energy vehicles, the Group's overall gross profit margin increased by approximately 1% to 15% as a result of cost reduction on a large scale and improvement in product structure as compared to FY2022. The Group's net profit attributable to equity holders slightly increased by approximately 1% to approximately RMB5.3 billion for FY2023, as the supply chain gradually stabilised, and the prices of batteries, chips and other components also began to fall as well as the demand for internal combustion engine vehicles fell. Although the Group faced unprecedented fierce competition, with price wars throughout the year, the Group's financial performance still improved in this complex environment.

1.2. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 June 2024 as extracted from the interim results announcement of the Company for 6M2024.

	As at 30 June 2024 *RMB'million* (Unaudited)
Non-current assets	101,920
Current assets	95,097
Non-current liabilities	10,671
Current liabilities	90,168
Total equity	**96,178**

As at 30 June 2024, total assets of the Group amounted to approximately RMB197.0 billion, which mainly comprised (i) property, plant and equipment of approximately RMB27.4 billion; (ii) bank balances and cash of approximately RMB41.5 billion; (iii) trade and other receivables of approximately RMB40.3 billion; and (iv) intangible assets of approximately RMB26.3 billion.

As at 30 June 2024, total liabilities of the Group amounted to approximately RMB100.8 billion, which mainly comprised (i) trade and other payables of approximately RMB91.3 billion; (ii) bank borrowings of approximately RMB3.4 billion; and (iii) lease liabilities of approximately RMB2.7 billion.

As at 30 June 2024, the Group recorded total equity of approximately RMB96.2 billion.

2. The Services Agreement

2.1. Principal terms of the Services Agreement

Major terms of the Services Agreement are summarised below:

Term

The Services Agreement has a term of three years from 1 January 2025 to 31 December 2027.

Condition precedent

The Services Agreement is conditional upon the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transaction contemplated under the agreement.

If the above condition is not fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Services Agreement will be terminated.

Payment terms

All payments in respect of the CKDs and CBUs provided under the Services Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Services Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Services Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Services Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, we concur with the view of the Board that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders as a whole.

(1) CKDs Transactions

Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to sell, and the Geely Holding Group conditionally agreed to purchase, CKDs manufactured by the Group (the "**CKDs Transactions**").

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

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 of the 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 (mainly being consumption tax and value-added tax) and other necessary and reasonable expenses (such as staff salary and other office expenses).

(2) CBUs Transactions

Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to purchase, and the Geely Holding Group conditionally agreed to sell, CBUs (the "**CBUs Transactions**").

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

Our view on pricing basis

With respect to the pricing policies of the CKDs Transactions and the CBUs Transactions, we have (i) performed desktop research on the current selling prices of certain Geely brand vehicle models, noting that the selling prices of the CBUs to end customers adopted in the calculation of the Service Caps (as defined below) for FY2025 are generally in line with the prevailing selling prices; (ii) reviewed the calculations in the projected distribution costs incurred by the Group in calculating the annual caps under the CKDs Transactions and the CBUs Transactions for each of FY2025, FY2026 and FY2027, which were estimated at approximately 3.99% of the selling price of the relevant vehicle to end customers and are in line with the average historical percentage of distribution and selling expenses relative to the total sales of the Group for FY2022 and FY2023; and (iii) performed desktop research on the consumption tax rate and note that the estimated consumption tax rate, ranging from 3% to 5% (varying according to the engine displacement of each vehicle model, where higher tax rates are generally applied to vehicle models with larger engine displacements and no consumption tax is required for battery electric vehicles), for the transactions relating to the CKDs Transactions was based on the existing consumption tax rates applicable for the sale of different vehicles in the PRC. 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 the CBUs Transactions ensures that the manufacturing companies of the Group retain the whole amount of profits generated from selling CBUs to end customers. As such, we are of the view that such pricing policy is fair and reasonable and we are satisfied that the CKDs Transactions and the CBUs Transactions are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties.

2.2. 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 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 manager of the finance department of the Group (the "**Finance Department**") 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 an annual 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.

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 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.

The Group will implement the following measures to ensure that the annual transaction amounts under the Services Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the sales volume of the CKDs and/or purchase volume of CBUs to ensure that the respective annual caps under the Services Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Services Agreement will not be exceeded.

The internal audit department of the Group will also conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently if it is determined necessary) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on the continuing connected transactions annually and confirm whether the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and whether the transactions are carried out according to the principal terms of the agreements and are in the interests of the Company and the Shareholders as a whole. The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

Our view on the internal control measures

Based on our discussion with the management of the Company on the internal control measures that govern the transactions contemplated under the Services Agreement and our review of the internal control procedures that include:

(i) the operation department of the Group will review the relevant cost and benefit items, which include mainly distribution costs, the applicable PRC taxes and other necessary expenses, and will coordinate with the sales department of the Group to ensure that the selling prices of CKDs are determined properly;

(ii) the sales department of the Group will keep track of the expected selling prices of vehicles and relevant cost items, which mainly include distribution costs, and will review such information on a monthly basis and determine the selling prices 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 prices of the CBUs;

(iii) the Finance Department will review the works carried out by the operation department and sales department to ensure that the continuing connected transactions being implemented in accordance with the pricing policies;

(iv) the Group has measures in place to ensure that the annual transaction amounts under the Services Agreement will not exceed the proposed annual caps of respective years, for instance, the internal audit department of the Group will conduct inspection in respect of the Group's compliance with the internal control procedures on an annual basis (or more frequently in the case of substantial market changes such as material shortage of chips, coupled with the latest business developments of the Group). We understand from management of the Company that if they expect that the transaction amounts will reach or exceed the annual cap, the Company will consider measures to be taken in a timely manner (which include restricting the sales volume of the CKDs and/or purchase volume of CBUs or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules);

(v) the independent non-executive Directors will conduct review on the transactions contemplated under the Services Agreement annually to confirm whether these transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) are carried out according to the principal terms of the agreement and in the interests of the Company and the Shareholders as a whole; and

(vi) we have obtained and reviewed the internal control reports for FY2022 and FY2023 prepared by the Finance Department and note that the Group reviews (i) the utilisation rate of the respective annual caps; and (ii) the implementation of the pricing policies for its continuing connected transactions (including the CKDs Transactions and the CBUs Transactions).

we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the proposed annual caps of the Services Agreement will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include restricting the sales volume of the CKDs and/or purchase volume of CBUs or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); (ii) the prices of the CKDs and CBUs will be determined on normal commercial terms no less favourable to the Group than terms available from independent third parties 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 (i.e. including the selling prices of the CBUs to end customers, distribution costs, tax rates and other necessary expenses).

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

As set out in the Letter from the Board, pursuant to the Services Agreement, the Group will sell CKDs to the Geely Holding Group, and purchase CBUs from the Geely Holding Group for a term of three years from 1 January 2025 to 31 December 2027. Under the Services Agreement, the Geely Holding Group will perform final assembly of the CKDs purchased from the Group, facilitate payment of the PRC consumption tax, and then sell the CBUs assembled from the CKDs back to the Group for distribution to end customers.

As at the Latest Practicable Date, the Group does not possess the automobile catalogue issued by the National Development Reform Commission in the PRC, which is required to effect payment of the PRC consumption tax, due to restrictions imposed on foreign automobile manufacturers regarding possession of the automobile catalogue. The Group is aware that such restrictions on foreign automobile manufacturers have been lifted, and the Group may be able to conduct the full process of vehicle manufacturing through its domestic subsidiaries under current foreign investment policies.

The Directors are of the view that the above arrangement will ensure smooth operation of the Group as the services to be provided by the Geely Holding Group, which possesses the said automobile catalogue, will facilitate the payment of such PRC consumption tax.

Based on the analysis above, (i) the arrangement under the Services Agreement is simply designed to facilitate smooth operation of the Group under the current laws and regulations of the PRC and the Group will proactively reduce the reliance on the Geely Holding Group when the relevant laws and regulations permit such; and (ii) the Group's procurement activities have not heavily relied on the Geely Holding Group or other companies controlled by Mr. Li. Having considered the aforesaid regulatory requirement under the PRC laws regarding the automobile catalogue and the fact that the Group is not in possession of such automobile catalogue, we are of the view that the CKDs Transactions and the CBUs Transactions will continue to ensure smooth operation of the Group, and the entering into of the 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 proposed annual caps

Historical transaction amounts and annual caps under the Services Agreement

The table below sets out (i) the historical transaction amounts for FY2022 and FY2023 and the five months ended 31 May 2024; and (ii) the announced 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 under the Existing Services Agreement for FY2022, FY2023 and FY2024 and their respective utilisation rates.

	Historical transaction amount for		**Historical transaction amount for the five months ended 31 May**	**Announced annual caps for**		
	FY2022	**FY2023**	**2024**	**FY2022**	**FY2023**	**FY2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Audited)	(Audited)	(Unaudited)			
CKDs Transactions	98,195.5	96,749.4	44,853.0	116,225.7	136,386.9	163,929.8
Utilisation rate of annual caps				84.5%	70.9%	27.4%*(Note)*
CBUs Transactions	107,154.6	105,071.7	48,224.4	117,728.9	141,315.1	169,577.3
Utilisation rate of annual caps				91%	74.4%	28.4%*(Note)*

Note: *The utilisation rate of the annual cap for FY2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the announced annual cap for the full financial year ending 31 December 2024.*

Proposed annual caps

The table below sets out the proposed annual caps for (i) sale of CKDs by the Group to the Geely Holding Group and (ii) purchase of CBUs by the Group from the Geely Holding Group pursuant to the Services Agreement for the year ending 31 December 2025 ("**FY2025**"), 2026 ("**FY2026**") and 2027 ("**FY2027**") (collectively the "**Service Caps**").

	Service Caps for		
	FY2025	**FY2026**	**FY2027**
	RMB million	*RMB million*	*RMB million*
CKDs Transactions	171,232.2	194,095.4	219,964.5
CBUs Transactions	176,629.7	200,298.6	227,138.5

As set out in the Letter from the Board, the Service Caps for the sale of CKDs by the Group to the Geely Holding Group were determined by the Directors with reference to (i) the projected unit sales of the Group for FY2025, FY2026 and FY2027 which were determined with reference to the annual sales volume target of the Group for FY2025, FY2026 and FY2027; (ii) the projected average selling price of CBUs to end customers for FY2025, FY2026 and FY2027; and (iii) the applicable PRC tax rates, and the projected distribution costs and other necessary expenses for FY2025, FY2026 and FY2027. The Group has revised upward the annual caps of the Services Agreement for each of the FY2025, FY2026 and FY2027 as compared with the annual caps of the Existing Services Agreement after taking into consideration the high utilisation rates of the annual caps under the Existing Services Agreement.

The Service Caps for the CKDs Transactions and the CBUs Transactions for FY2025 are estimated to remain relatively stable when compared to the announced annual caps for FY2024. The increase in the Service Caps for each of the CKDs Transactions and the CBUs Transactions for FY2026 and FY2027 by approximately 13% are mainly attributable to the growth target of 13% which comprises (i) the expected annual increase of 8% in the projected sales volume target of the Group for FY2026 and FY2027; and (ii) the annual upward adjustment of estimated vehicle selling price of 5% for FY2026 and FY2027.

In assessing the fairness and reasonableness of the Service Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed the sales projection in respect of the CKDs Transactions and the CBUs Transactions for FY2025, FY2026 and FY2027 prepared by the Group. We have also reviewed (i) the historical sale performance of the Group for FY2021, FY2022, FY2023 and the five months ended 31 May 2024; (ii) the overall sales plan of the Group from 2025 to 2027; (iii) the list of new vehicle models that are expected to be launched by the Group from 2025 to 2027; (iv) the estimated selling price to end customers for each of the vehicle models of the Group for FY2025, FY2026 and FY2027; and (v) the applicable PRC tax rates, and the projected distribution costs and other necessary expenses for FY2025, FY2026 and FY2027.

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 Service Caps:

- the recent business performance of the Group in particular the increase in total sales volume of vehicles for FY2023 by approximately 18% as compared to that in FY2022, and the growth target of 13% for 2024 full year sales volume as compared to FY2023 as disclosed in its annual report for FY2023;

- the expected annual increase of 8% in the projected sales volume target of the Group for FY2026 and FY2027 under the Services Agreement was determined based on the historical increase in sales volume in FY2023;

- based on our review of the overall sales plan of the Group from 2025 to 2027, we note that the projected unit sales as applied by the Group in determining the Service 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 FY2025, FY2026 and FY2027 was determined with 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 2025 to 2027 after taking into account expected customer demand and the current business, operational and market conditions;

- the new vehicle models that are expected to be launched by the Group from 2025 to 2027 primarily include battery or hybrid electric vehicles and internal combustion engine vehicle models. Based on our review of the underlying calculations of the Service Caps, we note that the new vehicle models expected to be launched by the Group from 2025 to 2027 were included in the Group's projection for the CKDs Transactions and the CBUs Transactions, and contributed to the increase in the projected sales volume for FY2025, FY2026 and FY2027. 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 2025 to 2027 are therefore a key component in the Group's sales plans;

- the projected average selling price of CBUs is expected to increase by 5% annually for FY2026 and FY2027. We understand from management of the Company that the upward adjustment in the projected average selling price of CBUs under the Service Caps was attributed to market factors such as higher production costs, expected customer demand, and optimisation of prices for certain vehicles according to the Group's strategy. We note that the upward adjustment in the projected average selling price of CBUs under the Service Caps is generally in line with the increase in the Group's average selling price by approximately 3% from FY2022 to FY2023 according to the annual reports of the Company.

Our view

Taking into consideration that (i) the Service Caps are determined with reference to the sales plan of respective relevant brand vehicles at projected selling prices to end customers, and (ii) the increase in the Service Caps is mainly driven by the estimated increase in demand of the relevant brand vehicles, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Service Caps at the proposed levels. However, as the Service 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 2027, we express no opinion as to how closely the CKDs Transactions and the CBUs Transactions shall correspond to the Service Caps.

3. Automobile Components Sales and Purchase Agreement

3.1. Principal terms of the Automobile Components Sales and Purchase Agreement

Major terms of the Automobile Components Sales and Purchase Agreement are summarised below:

Term

The Automobile Components Sales and Purchase Agreement has a term starting from the effective date of the agreement and ending on 31 December 2026.

Payment terms

All payments in respect of the automobile components provided under the Automobile Components Sales and Purchase Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Automobile Components Sales and Purchase Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Automobile Components Sales and Purchase Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Automobile Components Sales and Purchase Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, we concur with the view of the Board that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders as a whole.

Condition precedent

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

If the above condition has not been fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Automobile Components Sales and Purchase Agreement will be terminated.

Subject matter

Pursuant to the Automobile Components Sales and Purchase Agreement, the Group conditionally agreed to (i) sell automobile components (the "**Sales Products**") to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group for use mainly in Volvo brand vehicles, LYNK & CO brand vehicles, ZEEKR brand vehicles, LEVC brand vehicles, etc.; and (ii) purchase automobile components (the "**Procurement Products**") for use mainly in Geely brand vehicles, smart brand vehicles, ZEEKR brand vehicles, etc. from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group (collectively, the "**Suppliers Group**").

The Sales Products to be sold by the Group are distinct from the Procurement Products to be purchased by the Group under the Automobile Components Sales and Purchase Agreement. The Sales Products to be sold by the Group mainly consist of battery products, including battery packs, electric drives, chargers, etc. The Procurement Products to be purchased by the Group mainly include auto parts such as electronic control system products, display screens, seats and battery products. The battery products to be sold by the Group will be mainly used in Volvo brand vehicles, LYNK & CO brand vehicles, ZEEKR brand vehicles and LEVC brand vehicles, whereas the battery products to be purchased by the Group will be mainly used in Geely brand vehicles, ZEEKR brand vehicles and smart brand vehicles.

The sales and purchase of automobile components by the Group and the Suppliers Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Group than those offered to the Group by other independent third parties.

Pricing basis

The pricing basis will be determined on an arm's length basis and on normal commercial terms. For the sale of the Sales Products by the Group to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group, the selling price of the Sales Products will be determined with reference to the prevailing market price of similar products. If such market price is not available, the selling price will be calculated on a cost-plus basis according to the actual manufacturing costs (including related taxes) plus an agreed margin rate. The margin rate is determined through arm's length negotiations between the relevant parties and falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of 24 comparable companies (the "**Components Related Companies**"), as stated in the transfer pricing analysis report issued on 31 July 2023 (the "**Components Pricing Analysis Report**") prepared by an independent certified public accountant (the "**Independent CPA**"). The margin rates will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rates of comparable companies may change over time.

For the purchase of the Procurement Products by the Group where such Procurement Products are procured by the Suppliers Group from other suppliers for onward selling to the Group, the selling price will be based on the actual costs incurred by the Suppliers Group in procuring such the Procurement Products. For the Procurement Products that are manufactured by the Suppliers Group, the selling price will be based on the prevailing market price of similar products. If such market price is not available, the selling price will be calculated on a cost-plus basis according to the actual manufacturing costs (including related taxes) plus an agreed margin rate, which falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of the comparable companies, as stated in the Components Pricing Analysis Report. The margin rate will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rate of comparable companies may change over time.

Our view on pricing basis

In assessing the fairness and reasonableness of the pricing basis, we have considered the following factors and performed the relevant work as below:

Sales Products

- the unit selling prices of the Sales Products were primarily determined with reference to either the historical prices and/or prevailing market prices of similar automobile components. In order to be satisfied that there is market price reference to the estimated unit selling price of the Sales Products, we have selected five samples randomly out of approximately 35 types of automobile components estimated to be sold under the Automobile Components Sales and Purchase Agreement. The purpose of our review of samples is not to provide a substantive coverage but to be satisfied that there is market reference available to determine the prices of the Sales Products, and hence the internal control procedure of the Group can be implemented. As the selected samples of price quotations from independent suppliers related to automobile components of similar specifications as the Sales Products and were samples within the year of 2024, we consider that the coverage of our selected samples is sufficient, fair and representative for our due diligence purpose. From our review, we note that the estimated unit selling prices of the selected types of the Sales Products are either higher than or nearly the same as the prevailing market prices of similar automobile components available from independent suppliers to the Group. Hence, we are of the view that the sales of automobile components are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties;

- where a prevailing market price of a Sales Product is not available, we note that the selling price of such Sales Product will be determined based on the actual cost plus an estimated cost-plus margin. We note that a margin rate is adopted by the Group (the "**Components Margin Rate**") in calculating the unit selling prices of the relevant Sales Products for FY2024, FY2025 and FY2026 and such margin rate is determined with reference to the margin rates set out in the Components Pricing Analysis Report prepared by the Independent CPA for the purpose of calculating the amount of annual caps. The Components Margin Rate is determined with reference to the range between the lower and upper quartiles of the three-year weighted average cost-plus margin of comparable companies providing similar Sales Products as set out in the Components Pricing Analysis Report. The Independent CPA advised that it accords with industry norm to determine the Components Margin Rate with reference to the range between the lower and upper quartiles of the weighted average cost-plus margin of the comparable companies;

- based on our review of the Components Pricing Analysis Report which we consider a reputable source of reference for the purpose of determining the margin rate for the Sales Products, we note that the Independent CPA had identified the Components Related Companies that sell similar automobile components and evaluated their cost-plus margin. We note that the Components Margin Rate falls within the range and is the same as the median of the cost-plus margin of the Components Related Companies as set out in the Components Pricing Analysis Report. As such, we consider that the Components Margin Rate is fair and reasonable; and

- in conducting our review of the Components Pricing Analysis Report, we have interviewed the respective team members of the Independent CPA with respect to (i) the terms of engagement of the Independent CPA; (ii) the qualifications and experience of the Independent CPA; and (iii) the steps and measures taken by the Independent CPA in preparing the Components Pricing Analysis Report. Based on our review of the engagement letter of the Independent CPA, we are satisfied that the scope of work of the Independent CPA is appropriate to perform pricing analysis for automobile components related products (which we note that the scope of services of the Independent CPA includes conducting pricing assessment for connected transactions). We note that the Independent CPA has more than 30 years of experience in performing transfer pricing assessments and that the relevant team members of the Independent CPA are qualified personnel. In light of the above, we (i) are not aware of any matters that would cause us to question the competence of the Independent CPA and consider that the Independent CPA has sufficient knowledge and expertise to perform pricing analysis and prepare the Components Pricing Analysis Report; and (ii) consider that the Components Pricing Analysis Report is an appropriate reference for determining the Components Margin Rate.

Procurement Products

- the unit selling prices of the Procurement Products were mainly based on (i) the actual costs incurred by the Suppliers Group (for automobile parts and components that are procured by the Suppliers Group from other suppliers for onward selling to the Group) with reference to the historical purchase cost of the automobile components; or (ii) the prevailing market prices of similar products (for automobile parts and components that are manufactured by the Geely Holding Group or the ZEEKR Group) if market price is available. In order to be satisfied that there is market price reference for the estimated unit selling prices of the Procurement Products, we have selected five samples randomly out of approximately 86 types of automobile components estimated to be purchased under the Automobile Components Sales and Purchase Agreement. The purpose of our review of samples is not to provide a substantive coverage but to be satisfied that there is market reference available to determine the prices of the Procurement Products, and hence the internal control procedure of the Group can be implemented. As the selected samples of price quotations from independent suppliers related to automobile components of similar specifications as the Procurement Products and were samples from the year 2024, we consider that the coverage of our selected samples is sufficient, fair and representative for our due diligence purpose. From our review, we note that the projected unit selling prices of the selected types of the Procurement Products are either lower than or nearly the same as the prevailing market prices of similar automobile components available from independent suppliers to the Group. Hence, we are of the view that the purchase of automobile components is conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties; and

- where a prevailing market price of a Procurement Product is not available (for automobile parts and components that are manufactured by the Suppliers Group), we note that the selling price of such Procurement Product will be determined based on the actual cost plus an estimated cost-plus margin. We note that the Components Margin Rate is adopted by the Group in calculating the unit selling prices of the relevant Procurement Products for FY2024, FY2025 and FY2026 and such margin rate is determined with reference to the margin rates set out in the Components Pricing Analysis Report. The Components Margin Rate is determined with reference to the range between the lower and upper quartiles of the three-year weighted average cost-plus margin of comparable companies providing similar Procurement Products as set out in the Components Pricing Analysis Report.

Given the above, we are satisfied that the sale and purchase of automobile components are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties.

Internal control measures

For the sale of the Sales Products to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group, the Group will determine the selling price with reference to the prevailing market price of similar products. The Group will obtain price information of similar products on best effort basis for comparison in order to determine the selling price of the Sales Products. The Group, the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group will review the cost components on an annual basis to ensure the prices properly reflect the level of actual costs incurred by those parties in such transactions.

For the purchase of the Procurement Products from the Suppliers Group, if the Procurement Products are manufactured by the Suppliers Group, the Group will (i) obtain quotation of similar products from one or two independent third-party supplier(s); or (ii) obtain price information from publicly available source to compare the prices offered by the Suppliers Group. The Group and the Suppliers Group will negotiate the terms of such transactions to ensure that the prices properly reflect the level of market prices of the Procurement Products in such transactions. If the Procurement Products are procured by the Suppliers Group from other suppliers for onward selling to the Group, the Group and the Suppliers Group will review the cost components on an annual basis to ensure that the prices properly reflect the level of actual costs incurred by those parties in such transactions.

The Group will implement the following measures to ensure that the annual transaction amounts under the Automobile Components Sales and Purchase Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the sales and/or purchase volume of automobile components to ensure that the respective annual caps under the Automobile Components Sales and Purchase Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Automobile Components Sales and Purchase Agreement will not be exceeded.

The internal audit department of the Group will also conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently in the case of substantial market changes such as material shortage of chips, coupled with the latest business developments of the Group) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on the continuing connected transactions annually and confirm whether the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and whether the transactions are carried out according to the principal terms of the agreements and are in the interests of the Company and the Shareholders as a whole. The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

Our view on the internal control measures

Based on our discussion with the management of the Company on the internal control measures that govern the transactions contemplated under the Automobile Components Sales and Purchase Agreement and our review of the internal control procedures that include:

(i) as the Group will obtain fee quotations from other independent third party suppliers and/or publicly available information on the prevailing market prices of comparable products, the Group will be able to ensure that the purchase price to be paid to the Suppliers Group is no less favourable than the prevailing market price and on normal commercial terms;

(ii) if market prices of comparable products are not available, the selling price will be calculated on a cost-plus basis according to the actual manufacturing costs (including related taxes) plus an agreed margin rate which falls within the lower and upper quartiles of the three-year weighted average cost-plus margin of the Components Related Companies, as stated in the Components Pricing Analysis Report, subject to the annual review by the relevant parties. Given that the Components Margin Rate falls within the range of the cost-plus margin of the Components Related Companies as set out in the Components Pricing Analysis Report, the Components Margin Rate adopted by the Group in calculating the selling price of the automobile components ensures that the price of the automobile components will be at a margin comparable to the margin adopted in the market by comparable companies engaged in similar business;

(iii) if such automobile components are procured by the Suppliers Group from other suppliers for onward selling to the Group, the Group and the Suppliers Group will review the cost components on an annual basis to ensure that the prices properly reflect the level of actual costs incurred by those parties in such transactions;

(iv) the Group has measures in place to ensure that the annual transaction amounts under the Automobile Components Sales and Purchase Agreement will not exceed the proposed annual caps of respective years, for instance, the internal audit department of the Group will conduct inspection in respect of the Group's compliance with the internal control procedures on an annual basis (or more frequently in the case of substantial market changes such as material shortage of chips, coupled with the latest business developments of the Group) if it is determined necessary. We understand from management of the Company that if they expect that the transaction amounts will reach or exceed the annual cap, the Company will consider measures to be taken in a timely manner (which include restricting the purchase volume/sales volume of the automobile components or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and

(v) the independent non-executive Directors will conduct review on the transactions contemplated under the Automobile Components Sales and Purchase Agreement annually to confirm whether these transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) are carried out according to the principal terms of the agreement and in the interests of the Company and the Shareholders as a whole;

we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the proposed annual caps of the Automobile Components Sales and Purchase Agreement will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include restricting the purchase volume/sales volume of the automobile components or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); (ii) the price of the automobile components will be determined on normal commercial terms and no less favourable to the Group than terms available from independent suppliers (through (a) obtaining fee quotations from other independent third party suppliers and/or publicly available information on the prevailing market prices of comparable products, or (b) if fee quotations or prevailing market prices of comparable products are not available, the Group will purchase automobile components from the Suppliers Group based on a cost-plus margin approach, where the margin rate (subject to annual review) is determined with reference to the Components Pricing Analysis Report).

3.2. Reasons for and benefits of entering into the Automobile Components Sales and Purchase Agreement

By entering into the Automobile Components Sales and Purchase Agreement, the Company aims to streamline the continuing connected transactions in relation to the sales and purchase of automobile components and therefore reduce the number of continuing connected transactions agreements. Meanwhile, the Group seeks to secure a stable and reliable source of raw materials for manufacturing automobile components (including electric batteries) by leveraging on its relationships with the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the LEVC Group, the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group. The Automobile Components Sales and Purchase Agreement will facilitate the manufacturing of the Geely brand vehicles, the ZEEKR brand vehicles, the LYNK & CO brand vehicles, etc.

Having considered the foregoing, the Directors (including the independent non-executive Directors) are of the view that the Automobile Components Sales and Purchase Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms and the proposed annual caps of the Automobile Components Sales and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered that:

(i) the selling prices of the automobile components under the Automobile Components Sales and Purchase Agreement will be determined with reference to the prevailing market price for similar products, and will not be less favourable to the Group than those offered by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group to other independent third parties or those offered to the Group by other independent third parties;

(ii) in case market price of an automobile component is not available, the selling price of such automobile component will be calculated on a cost-plus basis according to the actual manufacturing costs plus an agreed margin rate which will be determined with reference to the range between the lower and upper quartiles of the three-year weighted average cost-plus margin rate of the comparable companies providing similar products, as stated in the transfer pricing analysis report prepared by an independent certified public accountant or a similarly qualified institution;

(iii) the Group has put in place internal control measures to monitor the expected selling prices of the automobile components under the Automobile Components Sales and Purchase Agreement which will be conducted on an arm's length basis and on normal commercial terms; and

(iv) the sales and purchases of the automobile components under the Automobile Components Sales and Purchase Agreement are conducted at arm's length basis and within the ordinary and usual course of business of the Company,

we are of the view that the terms under the Automobile Components Sales and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and they are in the interests of the Company and the Shareholders as a whole.

For our analysis on the fairness and reasonableness of the annual caps under the Automobile Components Sales and Purchase Agreement, please refer to the section below.

3.3. Fairness and reasonableness of the proposed annual caps

Historical transaction amounts

The table below sets out (i) the historical transaction amounts for the FY2022 and FY2023 and the five months ended 31 May 2024; and (ii) the announced annual caps for the sale and purchase of automobile components by the Group pursuant to the Existing Automobile Components Sales and Purchase Agreement for FY2022, FY2023 and FY2024 and their respective utilisation rates.

	Historical transaction amount for the year ended 31 December		Historical transaction amount for the five months ended 31 May	Announced annual caps for		
	FY2022	**FY2023**	**2024**	**FY2022**	**FY2023**	**FY2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Audited)	(Audited)	(Unaudited)			
Sales of automobile components by the Group	11,011.6	14,419.3	9,774.3	13,750.9	14,874.1	17,645.2
Utilisation rate of annual caps				80.1%	96.9%	55.4%*(Note)*
Purchase of automobile components by the Group	6,486.5	15,022.2	8,967.3	10,528.3	17,691.2	38,358.6
Utilisation rate of annual caps				61.6%	84.9%	23.4%*(Note)*

Note: *The utilisation rate of the annual cap for FY2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the announced annual cap for the full financial year ending 31 December 2024.*

The relatively low utilisation rate of the annual cap for the purchase of automobile components by the Group under the Existing Automobile Components Sales and Purchase Agreement in 2022 compared to 2023 was because the majority of procurement commenced in 2023. The low utilisation rate of the annual cap for the purchase of automobile components for the five months ended 31 May 2024 was mainly due to the actual purchase volume of the Procurement Products for use in smart brand vehicles was lower than the estimated purchase amount at the time when the announced annual cap for FY2024 was determined.

Proposed annual caps

The table below sets out the proposed annual caps for the sale of automobile components by the Group under the Automobile Components Sales and Purchase Agreement for FY2024, FY2025 and FY2026 (the "**Sales Caps**").

	Sales Caps for		
	FY2024	**FY2025**	**FY2026**
	RMB million	*RMB million*	*RMB million*
Sale of automobile components by the Group	26,956.0	22,895.3	18,588.1

In assessing the fairness and reasonableness of the Sales Caps under the Automobile Components Sales and Purchase Agreement, we have reviewed and discussed with the Company with regards to the underlying calculations. Set out below is our analysis based on the underlying calculations we reviewed.

As set out in the Letter from the Board, the Sales Caps (which represent the sale of automobile components by the Group to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group) were determined with reference to (i) the projected units of each model of the Sales Products for use mainly in the Volvo brand vehicles, the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the LEVC brand vehicles, etc. (collectively, the "**Sales Products Brands Vehicles**") for FY2024, FY2025 and FY2026; (ii) the projected unit sales of the Sales Products Brands Vehicles that are manufactured with the aforesaid automobile components for FY2024, FY2025 and FY2026; (iii) the estimated unit selling price for each type of the Sales Products that are determined with reference to the historical price and/or the prevailing market price of similar products for FY2024, FY2025 and FY2026; and (iv) the Components Margin Rate.

In our assessment of the fairness and reasonableness of the Sales Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (i) the projected sales of the Sales Products for use in the Sales Products Brands Vehicles for FY2024, FY2025 and FY2026; (ii) the sales plan of the Sales Products Brands Vehicles which are manufactured with the Sales Products for FY2024, FY2025 and FY2026; and (iii) the Components Pricing Analysis Report.

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

- the projected sales volume of the Sales Products (for the use in the manufacturing of the Sales Products Brands Vehicles) for each of FY2024, FY2025 and FY2026 are mainly determined based on the sales plan of the Sales Products Brands Vehicles for the same period which sets out the projected sales volume of the Sales Products Brands Vehicles to be equipped with the Sales Products. Based on our discussion with the management of the Company, we understand that the sales plan of the Sales Products Brands Vehicles for FY2024, FY2025 and FY2026 is determined with reference to factors including expected customer demand, sales volume targets, product life cycle, strategy and business performance of the Sales Products Brands Vehicles and possible market fluctuations. We note that the projected unit sales as applied by the Group in determining the Sales Caps is consistent with the projected units in the Group's sale plan.

- *FY2023 vs FY2024:* The Sales Cap for FY2024 increased by approximately 53% as compared to the existing annual cap under the Existing Automobile Components Sales and Purchase Agreement or increased by approximately 87% as compared to the historical transaction amount for FY2023 or increased by approximately 15% as compared to the annualised amount for the five months ended 31 May 2024. We note that the increase in the Sales Cap for FY2024 was mainly due to the increase in demand for the automobile components to be used in Volvo brand vehicles, which represented approximately 77% of the historical transaction amount for the five months ended 31 May 2024. We consider such increase in the Sales Cap for FY2024 to be reasonable given that the annualised actual sales volume of automobile components used in Volvo brand vehicles for the five months ended 31 May 2024 increases by more than 150% as compared to the sales volume for FY2023.

- *FY2024 vs FY2025 vs FY2026:* The Sales Cap for FY2025 is expected to decrease by approximately 15% as compared to FY2024 and further decrease by approximately 19% for FY2026 as compared to FY2025, mainly due to the expected reduced reliance of the Geely Holding Group on the automobile components supplied by the Group. We consider such decrease to be reasonable as it is the objective of the Group to reduce connected transactions with the Geely Holding Group;

The table below sets out the proposed annual caps for the purchase of automobile components by the Group from the Suppliers Group under the Automobile Components Sales and Purchase Agreement for FY2024, FY2025 and FY2026 (the "**Procurement Caps**").

	Procurement Caps for		
	FY2024	**FY2025**	**FY2026**
	RMB million	*RMB million*	*RMB million*
Purchase of automobile components by the Group	31,080.3	36,413.0	40,245.7

As set out in the Letter from the Board, the Procurement Caps were determined with reference to (i) the projected number of units of each type of the Procurement Products for use mainly in the Geely brand vehicles, the smart brand vehicles, the ZEEKR brand vehicles, etc. (collectively, the "**Procurement Products Brands Vehicles**"); (ii) the projected unit sales of the Geely brand vehicles, the smart brand vehicles, the ZEEKR brand vehicles, etc., for FY2024, FY2025 and FY2026; (iii) the projected purchase price for each type of the Procurement Products determined with reference to the prevailing market price or the estimated cost of such automobile components if market prices are not available; and (iv) the Components Margin Rate.

In our assessment of the fairness and reasonableness of the Procurement Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (i) the projected purchase volume of the Procurement Products for use in the Procurement Products Brands Vehicles for FY2024, FY2025 and FY2026; (ii) the sales plan of the Procurement Products Brands Vehicles which are manufactured with the Procurement Products for FY2024, FY2025 and FY2026; and (iii) the Components Pricing Analysis Report.

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

- the projected purchase volume of the Procurement Products (for the use in the manufacturing of the Procurement Products Brands Vehicles) for each of FY2024, FY2025 and FY2026 were mainly determined based on the sales plan of the Procurement Products Brands Vehicles for the respective years which sets out the projected sales volume of the Procurement Products Brands Vehicles to be equipped with the Procurement Products.

  FY2023 vs FY2024: We note that the Procurement Cap for FY2024 decreases by approximately 19% as compared to the existing annual cap under the Existing Automobile Components Sales and Purchase Agreement primarily due to the projected purchase volume of the Procurement Products for use in smart brand vehicles to be lower than originally expected. But still, we note the Procurement Cap for FY2024 represents an increase of approximately 107% and 44% as compared to the historical sales amount for FY2023 and the annualised sales amount for the five months ended 31 May 2024, respectively. We consider such increase is reasonable given that the annualised actual purchase amount of automobile components such as batteries and components for charging stations for use in Geely brand vehicles and ZEEKR brand vehicles for the five months ended 31 May 2024 increases by more than 200% as compared to FY2023 as a result of the introduction of new vehicle models under Geely and ZEEKR brands;

  FY2024 vs FY2025 vs FY2026: The Procurement Cap further increases by approximately 17% and approximately 11% in FY2025 and FY2026, respectively, on a year-on-year basis. We consider such increase to be reasonable given that the increase for FY2025 and FY2026 encompasses the accumulative effects of increase in purchase volume of automobile components as a result of the introduction of new vehicle models under Geely and ZEEKR brands.

  Based on our discussion with the management of the Company, we understand that the sales plan of the Procurement Products Brands Vehicles for FY2024, FY2025 and FY2026 is determined with reference to factors including expected customer demand, sales volume targets, product life cycle, strategy and business performance of the Procurement Products Brands Vehicles and possible market fluctuations. We further understand from the management of the Company that the projected purchase volume of the Procurement Products for FY2024, FY2025 and FY2026 is a reflection of the sales plan of the Procurement Products Brands Vehicles and represents the Group's best estimation of the expected manufacturing needs of the Procurement Products Brands Vehicles that will be equipped with the Procurement Products. Taking into account the above, we consider that the estimated purchase volume of the Procurement Products in the underlying calculation of the Procurement Caps is fair and reasonable;

Our view

Taking into consideration that (i) the Sales Caps and the Procurement Caps are determined with reference to the sales plan of respective relevant brand vehicles at prices comparable to prevailing market rates or prices based on actual cost plus a margin with reference to the Components Pricing Analysis Report, and (ii) the increases in the Sales Caps and Procurement Caps are mainly driven by the estimated increase in demand of the relevant brand vehicles, we consider that the Sales Caps and the Procurement Caps are fair and reasonable and we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Sales Caps and the Procurement Caps at the proposed levels. However, as the Sales Caps and the Procurement Caps relate to future events and are based on assumptions that may or may not remain valid for the whole period up to 31 December 2026, we express no opinion as to how closely the transactions contemplated under the Automobile Components Sales and Purchase Agreement shall correspond to the Sales Caps and the Procurement Caps respectively.

4. Operation Services Agreement

4.1. Principal terms of the Operation Services Agreement

The major terms of the Operation Services Agreement are summarised below:

Term

The Operation Services Agreement has a term of three years starting from the effective date of the Operation Services Agreement and ending on 31 December 2026.

Conditions precedent

The Operation Services Agreement is subject to the Company (i) having obtained the necessary approvals and/or consents from third parties (if applicable); and (ii) having complied with the relevant requirements of the Listing Rules with regarding to the continuing connected transactions contemplated under the agreement.

If the above conditions have not been fulfilled on or before 31 December 2024 (or such later date as the parties may agree in writing), the Operation Services Agreement will be terminated.

Payment terms

All payments in respect of the operation services provided under the Operation Services Agreement shall generally be settled within 90 days (or another period agreed upon by the parties to the Operation Services Agreement) of the invoice, in cash, by wire transfer, acceptance, or any other payment method mutually agreed upon by the parties to the Operation Services Agreement. Any overdue payment shall incur interest, which shall be calculated by reference to the PBOC loan interest rate over the same period.

Taking into consideration that (i) the credit period under the Operation Services Agreement is within the range of credit periods offered to the Group by independent third-party suppliers; and (ii) the overdue interest rate is calculated based on the PBOC loan interest rate over the same period, the Board is of the view that the payment terms are fair, reasonable, and in the interests of the Company and the Shareholders as a whole.

Subject matter

Pursuant to the Operation Services Agreement, the Group conditionally agreed to (i) provide to the Geely Holding and Related Party Groups operation services that mainly include, but are not limited to, IT, logistics and warehousing services, supplier quality engineering services, procurement services, back-office support services (including but not limited to, accounting services, human resources services, etc.), testing and trial production services, and other services (the "**Operation Services Provision Transaction**"); and (ii) procure from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group operation services that mainly include, but are not limited to, business travel services, IT, back-office support services (including but not limited to marketing and publicity services, legal services, etc.), charging rights services, testing and trial production services, and other services (the "**Operation Services Procurement Transaction**").

Pricing basis

Pursuant to the Operation Services Agreement, the operation services fee will be determined on the arm's length negotiations between the relevant parties. The parties will refer to the market price of similar services, and if there is no such reference, the price will be determined based on (i) the costs incurred for providing the relevant services (excluding outsourcing costs (if applicable)) plus a margin rate with reference to the range between the lower and the upper quartiles of the three-year weighted average cost-plus margin rates of 16, 10, 15, 14, 11 and 11 comparable companies (the "**Relevant Companies**") providing similar services, as stated in six transfer pricing analysis reports prepared by the Independent CPA, all of which issued on 24 November 2023 (the "**Operation Services Transfer Pricing Analysis Reports**"); and (ii) the actual outsourcing costs (if applicable). The margin rates will be reviewed and adjusted annually or as needed by the relevant parties, taking into account the fact that the margin rates of comparable companies may change over time.

Our view on pricing basis

In assessing the fairness and reasonableness of the pricing basis, we have considered the following factors and performed the relevant work as below:

The Operation Services Provision Transaction

- the service fees for some of the operation services under the Operation Services Provision Transaction, such as charging service and publicity service etc., were based on the market price of similar services. In order to be satisfied that there is market price reference for the estimated operation service fee, we have selected two samples randomly out of four types of operation services, where market prices of similar services are available, under the Operation Services Provision Transaction. The purpose of our review of samples is not to provide a substantive coverage but to be satisfied that there is market reference available to determine the prices of the relevant operation services, and hence the internal control procedure of the Group can be implemented. As the selected samples of contracts from independent service providers or publicly available information related to similar types of operation services and were samples within the years of 2023 and 2024, we consider that the coverage of our selected samples is sufficient, fair and representative for our due diligence purpose. From our review, we note that the projected operation service fee rates of the selected types of the operation services are the same as the prevailing service fee rates of similar services available from independent service providers to the Group or as quoted in publicly available information. Hence, we are of the view that these operation services under the Operation Services Provision Transaction are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties;

- where market price is not available, the operation service fees will be based on the cost incurred for providing the relevant services, plus a margin rate. We understand from the management and have reviewed the underlying calculation that the cost of supplier quality engineering services and procurement mainly based on the estimated staff hours and the staff hourly rate according to historical cost;

- the margin rates adopted in calculating the services fees in the Operation Service Caps (the "**Operation Service Margin Rates**"), which are determined with reference to the margin rates set out in the Operation Services Transfer Pricing Analysis Reports prepared by the Independent CPA. We have reviewed the Operation Services Transfer Pricing Analysis Reports prepared by the Independent CPA. We consider that the Operation Services Transfer Pricing Analysis Reports are reputable source of reference for the purpose of determining the respective margin rates for the operation services fees. We note that the Independent CPA had identified the Relevant Companies that are principally engaged in services relevant to the corresponding operation services. We also note that the Operation Service Margin Rates fall within the range of the cost-plus margin of the Relevant Companies as set out in the Operation Services Transfer Pricing Analysis Reports. As such, we consider that the Operation Service Margin Rates are fair and reasonable; and

- in respect of our due diligence on the qualification and experience of the Independent CPA, please refer to the paragraph headed "Proposed annual caps" under "3. Automobile Components Sales and Purchase Agreement" above in this letter. In light of the above, we (i) are not aware of any matters that would cause us to question the competence of the Independent CPA and consider that the Independent CPA has sufficient knowledge and expertise to perform pricing analysis and prepare the Operation Services Transfer Pricing Analysis Reports; and (ii) consider that the Operation Services Transfer Pricing Analysis Reports are appropriate references for determining the margin rates used in calculating the operation services fees in the Operation Service Caps.

The Operation Services Procurement Transaction

- the service fees for some of the operation services under the Operation Services Procurement Transaction, such as software and development service, charging service, business travel service etc., were based on the market price of similar services. In order to be satisfied that there is market price reference for the estimated operation service fee, we have selected two samples randomly out of three types of operation services, where market prices of similar services are available, under the Operation Services Procurement Transaction. The purpose of our review of samples is not to provide a substantive coverage but to be satisfied that there is market reference available to determine the prices of the relevant operation services, and hence the internal control procedure of the Group can be implemented. As the selected samples of contracts from independent service providers or publicly available information related to similar types of operation services and were samples from the year 2023, we consider that the coverage of our selected samples is sufficient, fair and representative for our due diligence purpose. From our review, we note that the projected operation service fee rates for the selected types of operation services are either similar to (i.e., within the lower and upper range of) the prevailing service fee rates for similar services available from independent service providers to the Group (the "**Comparable Service Fee Rates**"), or the same as those quoted in publicly available information. In certain types of operation services, such as software and development service, the Company estimated the service fee rates based on the number of technical staff at various seniority levels required to perform the service. As each similar operation service may have slightly different technical staff requirements, we consider it reasonable that the projected service fee rates fall within the range of the Comparable Service Fee Rates. Hence, we are of the view that these operation services under the Operation Services Procurement Transaction are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties;

- where market price is not available, the operation service fees will be based on the cost incurred for providing the relevant services, plus the Operation Service Margin Rates. We reviewed the underlying calculation that the cost of supplier quality engineering services and accounting services are mainly based on the estimated staff hours and the staff hourly rate according to historical cost; and

- the Operation Service Margin Rates are determined with reference to the margin rates set out in the Operation Services Transfer Pricing Analysis Reports prepared by the Independent CPA. For our due diligence on the Operation Services Transfer Pricing Analysis Reports, the Operation Service Margin Rates and the Independent CPA, please refer to the paragraph headed "Our view on pricing basis – The Operation Services Provision Transaction" under "Operation Services Agreement" above in this letter.

Given the above, we are satisfied that the Operation Services Provision Transaction and the Operation Services Procurement Transaction are conducted on pricing terms no less favourable to the Group than those offered to the Group by other independent third parties.

Internal control measures

The finance manager of the Finance Department will compare the operation service fees with the similar existing operation services received from independent third parties (if any) to determine the market rates for the operation services. If there are no such market rates, the finance manager of the Finance Department will monitor the relevant cost items, as well as other necessary and reasonable expenses on an annual basis (or more frequently if it is determined necessary) for each type of operation services provided by the Group to Geely Holding and Related Party Groups and ensure that the service fees charged for such operation services are determined properly.

The finance manager of the Finance Department will negotiate with the Geely Holding and Related Party Groups the terms of such transactions on an annual basis (or more frequently if it is determined necessary) to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

The Group will implement the following measures to ensure that the annual transaction amounts under the Operation Services Agreement do not exceed the proposed annual caps for respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Finance Department monthly. The finance manager of the Finance Department will then compile the statistics on the amounts of continuing connected transactions and calculate the utilisation rate of the relevant annual cap on a monthly basis. These statistics will be submitted to the management of the Group for their review. If (i) the finance manager of the Finance Department is informed by the relevant business department of the Company's subsidiaries that there will be a significant increase in the transaction volume of continuing connected transactions in a particular month that may lead to exceeding the relevant annual cap; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual caps at any time during the year, the Group will either restrict the provision and/or procurement volume of operation services to ensure that the respective annual caps under the Operation Services Agreement are not exceeded, or initiate the necessary procedures to revise the respective annual caps in accordance with the requirements under Chapter 14A of the Listing Rules.

Having considered the foregoing, the Directors are of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the Operation Services Agreement will not be exceeded.

In relation to the aforesaid internal control measures, the internal audit department of the Group will conduct review (which is subject to the annual review and disclosure requirements under the Listing Rules) on the continuing connected transactions of the Company at least annually (or more frequently in the case of substantial market changes such as the changes caused by pandemic outbreak and national lockdowns, coupled with the latest business developments of the Group) to confirm whether the internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor reviews and confirms whether all continuing connected transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

Our view on the internal control measures

Based on our discussion with the management of the Company on the internal control measures that govern the transactions contemplated under the Operation Services Agreement and our review of the internal control procedures that include:

(i) by comparing scope of services and rates with the existing similar transactions with the independent third party or making reference to the Operation Services Transfer Pricing Analysis Reports, the Group will be able to ensure that the rates of operation services are no less favourable than the prevailing market price and on normal commercial terms;

(ii) if market rate is not available, the finance manager of the Finance Department will monitor the relevant cost items incurred by the Group, as well as other necessary and reasonable expenses on an annual basis (or more frequently if it is determined necessary) for each type of operation services provided by the Group to Geely Holding and Related Party Groups and ensure that the service fees charged for such operation services are determined properly;

(iii) the pricing of operation services will be calculated on a cost-plus basis based on (i) the costs incurred for providing relevant service (excluding outsourcing costs (if applicable)) plus a margin rate with reference to the range between the lower and the upper quartiles of the three-year weighted average cost-plus margin rate of the comparable companies providing similar services as stated in the Operation Services Transfer Pricing Analysis Reports; and (ii) the actual outsourcing costs (if applicable). Given that the Operation Service Margin Rates fall within the range of the cost-plus margin as set out in the Operation Services Transfer Pricing Analysis Reports, the Operation Service Margin Rates adopted by the Group in calculating the pricing of operation services ensure that the price will be at a margin comparable to the margin adopted in the market by comparable companies engaged in similar business;

(iv) the Group has measures in place to ensure that the annual transaction amounts under the Operation Services Agreement will not exceed the proposed annual caps of respective years, for instance, the internal audit department of the Group will conduct inspection in respect of the Group's compliance with the internal control procedures on an annual basis (or more frequently if it is determined necessary). We understand from management of the Company that if they expect that the transaction amounts will reach or exceed the annual cap, the Company will consider measures to be taken in a timely manner (which include restricting the volume of the operation services or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and

(v) the independent non-executive Directors will conduct review on the transactions contemplated under the Operation Services Agreement annually (or more frequently if it is determined necessary) to confirm whether these transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) are carried out according to the principal terms of the agreement and in the interests of the Company and the Shareholders as a whole;

we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the Operation Service Caps (as defined below) will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include restricting the volume of the operation services or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and (ii) the pricing of the operation services will be determined on a cost-plus basis under which the margin rates (subject to annual review) will be determined with reference to the Operation Services Transfer Pricing Analysis Reports.

4.2. Reasons for and benefits of entering into the Operation Services Agreement

As stated in the Letter from the Board, to cope with increasing competition in the NEVs industry, the Group has been actively expanding its cooperation with suppliers of power supplies and charging services. The collaboration with the Geely Holding and Related Party Groups in procuring and providing various services will bring numerous benefits to the Group including but not limited to improving the Group's operating efficiency and cost reduction.

The Directors believe that entering into the Operation Services Agreement is beneficial to the Group as (i) the terms of the operation services provided by the Group will not be less favourable than those offered to the Geely Holding and Related Party Groups by the independent third parties; (ii) for the operation services to be provided by the Group to the Geely Holding and Related Party Groups which are charged with reasonable margin rates relative to the actual costs (excluding outsourcing costs), such operation services will generate additional revenue and income for the Group; (iii) the operation services to be provided by the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group to the Group will be on terms no less favourable than those offered to the Group by the independent third parties; and (iv) the operation services to be provided by Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group to the Group are expected to be more suitable for the Group's needs based on the long-standing cooperation and relationship among the Group, the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group. This will also help the Group to save on additional human resources.

Our view

Having considered that (i) the operation service fees under the Operation Services Agreement will be determined with reference to the prevailing market price for similar services with independent third parties or with reference to the Operation Services Transfer Pricing Analysis Reports; (ii) the Group has put in place internal control measures to monitor the operation service fees to be payable or receivable by the Group under the Operation Services Agreement which will be based on arms' length basis and on normal commercial terms; (iii) the provision and the procurement of operation services under the Operation Services Agreement are conducted at arms' length basis and within the ordinary course of business of the Company, we are of the view that the terms of the Operation Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and they are in the interests of the Company and the Shareholders as a whole. For our analysis on the fairness and reasonableness of the Operation Service Caps (as defined below), please refer to the section below.

4.3. Fairness and reasonableness of the proposed annual caps

Historical transaction amounts

The table below sets out (i) the historical transaction amounts for FY2023 and the five months ended 31 May 2024; and (ii) the announced annual caps for the service fees receivable by the Group for the provision of operation services to the Geely Holding and Related Party Groups and the service fees payable to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group for the provision of operation services to the Group pursuant to the 2023 Operation Services Agreement and the Supplemental Operation Services Agreement for FY2023, FY2024 and FY2025 and their respective utilisation rates.

	Historical transaction amount for FY2023	Historical transaction amount for the five months ended 31 May 2024	Announced annual caps for		
			FY2023	FY2024	FY2025
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Audited)	(Unaudited)			
2023 Operation Services Agreement					
Operation Services Provision Transaction	1,046.2		1,550.6		
Utilisation rate of annual caps			67.5%		
Operation Services Procurement Transaction	1,499.0		1,581.4		
Utilisation rate of annual caps			94.8%		
Supplemental Operation Services Agreement					
Operation Services Provision Transaction		500.3		1,769.9	2,260.9
Utilisation rate of annual caps				28.3% (Note)	
Operation Services Procurement Transaction		492.1		1,613.6	1,136.9
Utilisation rate of annual caps				30.5% (Note)	

Note: *The utilisation rate of the annual cap for FY2024 was calculated by dividing the historical transaction amount for the five months ended 31 May 2024 by the announced annual cap for the full financial year ending 31 December 2024.*

Proposed annual caps

The table below sets out the proposed annual caps for the service fees receivable by the Group and payable by the Group pursuant to the Operation Services Agreement (the "**Operation Service Caps**") for each of FY2024, FY2025 and FY2026.

	Operation Service Caps for		
	FY2024	**FY2025**	**FY2026**
	RMB'million	*RMB'million*	*RMB'million*
Operation Services Provision Transaction	3,887.2	8,785.2	10,083.2
Operation Services Procurement Transaction	3,286.6	3,276.9	3,503.0

As stated in the Letter from the Board, the Operation Service Caps were determined with reference to (i) the projected staff costs of the Group to perform IT and other administrative functions for each of FY2024, FY2025 and FY2026; (ii) the estimated portion of the IT and other administrative functions solely for the Geely Holding and Related Party Groups, compared with the Group's overall IT and administrative functions, based on historical costs incurred by each party; (iii) the estimated costs (including but not limited to transportation, packaging, and labour costs) for the transportation of each vehicle, based on projected costs for logistic services; (iv) the estimated number of vehicles for which the Group will provide logistic and warehousing services for each of FY2024, FY2025 and FY2026; (v) the projected total staff working hours required for supplier quality engineering services and procurement functions for each of FY2024, FY2025 and FY2026; (vi) the projected hourly cost for staff in supplier quality engineering services and procurement functions, based on historical costs; (vii) the margin rates for services in relation to IT, logistics, supplier quality engineering services, procurement services, testing and trial production services and other administrative functions, relative to estimated costs, with reference to the Operation Services Transfer Pricing Analysis Reports; (viii) the projected total costs required for after-sales services for each of FY2024, FY2025 and FY2026; (ix) the estimated number of domestic and international business travels, exhibitions and conferences required by the Group, determined based on the projected business volumes of the Group for FY2024, FY2025 and FY2026; (x) the estimated average price for air tickets, accommodations and other transportation, as well as exhibition and conference-related services; (xi) the market price of software and development services; (xii) the projected hourly cost for the staff in relation to IT services; (xiii) the average unit price of electricity and the estimated number of NEVs requiring charging services for FY2024, FY2025 and FY2026; and (xiv) the margin rates for the respective operation services, relative to estimated costs, with reference to the Operation Services Transfer Pricing Analysis Reports.

As set out in the Letter from the Board, the increase in the Operation Service Caps in respect of the Operation Services Provision Transaction for FY2025 and FY2026 is driven by (i) the majority of logistic services to be provided to the Geely Holding and Related Party Groups will commence in 2025 and (ii) it is expected that the demand for logistic services, and other services will increase for FY2025 and FY2026.

In assessing the fairness and reasonableness of the Operation Service Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (a) the list of projects of the relevant parties which are expected to require operation services from the Group; (b) the list of projects of the Group which are expected to require operation services from the Geely Holding Group, LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group; and (c) the Operation Services Transfer Pricing Analysis Reports prepared by the Independent CPA.

From our review of the aforesaid documents and discussion with management of the Company, we have taken into consideration the following in assessing the fairness and reasonableness of the Operation Service Caps:

- *in respect of the Operation Service Caps for the Operation Services Provision Transaction:*

  Five months ended 31 May 2024 vs FY2024: The increase in the Operation Service Cap for the Operation Services Provision Transaction for FY2024 compared to historical transaction amounts for the five months ended 31 May 2024 was primarily attributable to (i) the inclusion of additional contracting parties to the Operation Services Agreement, which led to an over 500% increase in IT, testing and trial production services; (ii) commencement of most supplier quality engineering services during the second half of 2024, which led to approximately 16-fold increase in supplier quality engineering services; and (iii) introduction of new vehicle models during the second half of 2024, which led to an approximately 380% increase in logistic and back-office support services in relation to new vehicle models.

FY2023 vs FY2024: The Operation Service Cap for the Operation Services Provision Transaction for FY2024 represents an increase of approximately 272% as compared to the historical transaction amount for FY2023. We consider such increase to be reasonable primarily due to (i) the inclusion of additional contracting parties to the Operation Services Agreement which contributes approximately 50% to the increase of the Operation Service Cap for the Operation Services Provision Transaction for FY2024; (ii) the Group commenced providing some of the operation services such as supplier quality engineering services, testing and trial production services, marketing, charging services, etc. to the Geely Holding and Related Party Groups in FY2024 for better economies of scale and cost reduction synergy, which will lead to an increase of approximately 133% to the Operation Service Cap for the Operation Services Provision Transaction for FY2024; and (iii) increase in expected demand for IT services and logistic services, which contributes approximately 53% to the increase of the Operation Service Cap for the Operation Services Provision Transaction for FY2024.

FY2024 vs FY2025 vs FY2026: The Operation Service Caps for the Operation Services Provision Transaction for FY2025 and FY2026 further increase by approximately 126% and 15%, respectively, on a year-on-year basis. We consider such increase to be reasonable given that the majority of logistic services to be provided to the Geely Holding and Related Party Groups is expected to commence in 2025 (the "**Additional Logistic Services**") due to the expansion plan of various brands to international markets. Such Additional Logistic Services contributed approximately 117% to the increase in the Operation Service Cap for the Operation Services Provision Transaction for FY2025. The increase for FY2025 and FY2026 also encompasses the accumulative effect of increase in the Operation Services Provision Transaction arising from the commencement of certain operation services and inclusion of additional contracting parties in FY2024 as aforementioned in the above paragraph. We have reviewed the underlying calculation in respect of the projected cost of the Additional Logistic Services and note that projected logistic cost is generally based on (i) the estimated number of vehicles for which the Group will provide logistic services with reference to factors like development status of the vehicle, sales and marketing plans, product cycle, operational data and market conditions; (ii) the estimated costs for the transportation of each vehicle with reference to historical cost adopted for FY2025 and FY2026; and

- *in respect of the Operation Service Caps for the Operation Services Procurement Transaction:*

  Five months ended 31 May 2024 vs FY2024: The increase in the Operation Service Cap for the Operation Services Procurement Transaction for FY2024 compared to historical transaction amounts for the five months ended 31 May 2024 was primarily attributable to (i) the introduction of new vehicle models during the second half of 2024, which led to an over 300% increase in business travel services and back-office support services in relation to new vehicle models; and (ii) commencement of procuring some operation services during the second half of 2024, which led to an over 700% increase in IT, charging rights services, etc.

FY2023 vs FY2024: It represents an increase of approximately 119% for FY2024 as compared to FY2023. We consider the increase in FY2024 to be reasonable mainly because (i) the Group commenced procuring some of the operation services, for instance, IT services in order to streamline its production process by utilising advanced software and information systems, from Geely Holding and Related Party Groups after mid of FY2023 and the full-year-effect of these services in FY2024 contributes approximately 60% to such increase in FY2024; (ii) the inclusion of additional contracting parties to the Operation Services Agreement to provide trial production service and back-office support service contributes approximately 20% to such increase in FY2024; and (iii) increase in expected demand for business travel services driven by more exhibitions and vehicle model roll-out plans during the second half of 2024, which contributes approximately 18% to the increase of the Operation Service Cap for the Operation Services Procurement Transaction for FY2024.

FY2024 vs FY2025 vs FY2026: It remains relatively stable on a year-on-year basis for FY2025 and FY2026, respectively.

Our view

Taking into consideration that the Operation Service Caps are determined with reference to market price of similar services or the costs incurred for providing the relevant services, plus a margin with reference to the Operation Services Transfer Pricing Analysis Reports, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Operation Service Caps at the proposed levels. However, as the Operation Service 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 2026, we express no opinion as to how closely the transactions contemplated under the Operation Services Agreement shall correspond to the Operation Service Caps.

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

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

(a) Each year the independent non-executive Directors must review 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 confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:

- have not been approved by the Board;

- were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

- were not entered into, in all material respects, in accordance with the terms of the respective agreements of each of the Continuing Connected Transactions; and

- have exceeded the respective annual caps.

(c) The Company must allow, and ensure that the relevant counter parties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on 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 Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement and the annual caps under each of the above respective agreements not being exceeded, we are of the view that appropriate measures have been in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Company and the Shareholders as a whole.

CONCLUSION AND RECOMMENDATION

Based on our analysis and work done set out above, we consider that:

(a) the entering into of the Services Agreement, the Automobile Components Sales and Purchase Agreement and the Operation Services Agreement (collectively, the "**Agreements**") and the Continuing Connected Transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms thereof are normal commercial terms or better and fair and reasonable; and

(b) the proposed annual caps under each of the Agreements (which include the Service Caps, the Sales Caps, the Procurement Caps and the Operation Service Caps, (collectively, the "**Annual Caps**")) in respect of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Agreements and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau	**Michelle Tse**
Managing Director	*Director*

Note: Mr. Alex Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Miss Michelle Tse has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2010 to 2015 and since 2019.

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

Shares

Name of Director	Nature of interests	Number or attributable number of Shares Long position	Short position	Approximate percentage or attributable percentage of shareholding (%)
Mr. Li *(Note 1)*	Interest in controlled corporations	4,121,718,000	–	40.93
Mr. Li	Personal	23,140,000	–	0.23
Mr. Li Dong Hui, Daniel	Personal	5,004,000	–	0.05
Mr. Gui Sheng Yue	Personal	17,877,000	–	0.18
Mr. Gan Jia Yue	Personal	2,230,200	–	0.02
Mr. Wang Yang	Personal	1,000,000	–	0.01

Note:

1. Proper Glory Holding Inc. ("**Proper Glory**") and its concert parties in aggregate hold securities' interest of 4,121,718,000 shares (excluding those held directly by Mr. Li), representing approximately 40.93% 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 31.89% by Geely Group Limited.

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

Share Options/Share Awards

Name of Director	Nature of interests	Number or attributable number of Shares Long position	Number or attributable number of Shares Short position	Approximate percentage or attributable percentage of shareholding (%)
Mr. Gui Sheng Yue	Personal	13,500,000 *(Note 1)*	–	0.13
Mr. Gui Sheng Yue	Personal	15,000,000 *(Note 2)*	–	0.15
Mr. Li Dong Hui, Daniel	Personal	14,000,000 *(Note 1)*	–	0.14
Mr. Li Dong Hui, Daniel	Personal	9,000,000 *(Note 2)*	–	0.09
Ms. Wei Mei	Personal	7,000,000 *(Note 1)*	–	0.07
Ms. Wei Mei	Personal	3,500,000 *(Note 2)*	–	0.03
Mr. Gan Jia Yue	Personal	8,000,000 *(Note 1)*	–	0.08
Mr. Gan Jia Yue	Personal	15,000,000 *(Note 2)*	–	0.15
Mr. Gan Jia Yue	Personal	1,400,000 *(Note 4)*	–	0.01
Mr. Mao Jian Ming, Moosa	Personal	3,000,000 *(Note 3)*	–	0.03

Note:

1. 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.

2. The interest relates to share options granted on 22 November 2023 by the Company to the Directors. The share options are exercisable at a subscription price of HK$9.56 for each Share during the period from 22 November 2024 to 21 November 2031. 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.

3. The interest relates to share options granted on 17 July 2024 by the Company to the Director. The share options are exercisable at a subscription price of HK$9.56 for each Share during the period from 17 July 2025 to 16 July 2032. 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.

4. The interest rates 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 0.01% 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 Long position	Short position	Approximate percentage or attributable percentage of shareholding (%)
Mr. Li	Proper Glory	998,929 *(Note 1)*	–	99.89
Mr. Li	Geely Group Limited	50,000	–	100
Mr. Li	Geely Holding	RMB938,021,000 *(Note 2)*	–	91.07
Mr. Li	Zhejiang Geely	RMB2,859,000,000 *(Note 3)*	–	100
Mr. Li	Geely Automobile Group	RMB900,000,000 *(Note 4)*	–	100
Mr. Li	Zhejiang Maple	RMB240,000,000 *(Note 5)*	–	100
Mr. Li	Zhejiang Haoqing	RMB3,530,000,000 *(Note 6)*	–	100
Mr. Li	Zhejiang Jirun	US$7,900,000 *(Note 7)*	–	1
Mr. Li	Hunan Geely Automobile Components Company Limited	RMB6,123,488 *(Note 8)*	–	1
Mr. Li	ZEEKR	582,000,000 *(Note 9)*	–	21.90
Mr. Li Dong Hui, Daniel	ZEEKR	20,000,000 *(Note 10)*	–	0.75
Mr. Gui Sheng Yue	ZEEKR	10,000,000 *(Note 11)*	–	0.38
Ms. Wei Mei	ZEEKR	5,800,000 *(Note 12)*	–	0.22
Mr. Gan Jia Yue	ZEEKR	4,350,000 *(Note 13)*	–	0.16

Notes:

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 31.89% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Li. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

2. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

3. Zhejiang Geely is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

4. Geely Automobile Group is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

5. Zhejiang Maple is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

6. Zhejiang Haoqing is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

7. Zhejiang Jirun is a limited liability company incorporated in the PRC and is 1% owned by Zhejiang Geely.

8. Hunan Geely Automobile Components Company Limited is a limited liability company incorporated in the PRC and is 1% owned by Zhejiang Haoqing.

9. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 21.90% owned by Mr. Li and his associate.

10. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 0.75% owned by Mr. Li Dong Hui, Daniel, an executive Director, and his associate.

11. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 0.38% owned by Mr. Gui Sheng Yue, an executive Director, and his associate.

12. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 0.22% owned by Ms. Wei Mei, an executive Director, and her associate.

13. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 0.16% 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 of Shareholder	Nature of interests	Number of Shares held Long position	Approximate percentage or attributable percentage of shareholding (%)
Proper Glory *(Note 1)*	Beneficial owner	2,542,535,000	25.25
Geely Holding *(Note 1)*	Interest in controlled corporation	3,688,103,000	36.63
	Beneficial owner	237,118,000	2.35
Geely Group Limited *(Note 1)*	Beneficial owner	196,497,000	1.95
Zhejiang Geely *(Note 2)*	Beneficial owner	20,154,000	0.20
Geely Automobile Group *(Note 3)*	Interest in controlled corporation	20,154,000	0.20
	Beneficial owner	776,408,000	7.71

Notes:

1. Proper Glory is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding and as to 31.89% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

2. Zhejiang Geely is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

3. Geely Automobile Group is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.

Mr. Li is a director of each of Proper Glory, Geely Holding, Geely Automobile Group and Geely Group Limited. Mr. Li Dong Hui, Daniel is a director of each of Geely Holding, Zhejiang Geely and Geely Automobile Group. Mr. Gan Jia Yue is a director of Zhejiang Geely and Geely Automobile Group.

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 Holding-branded vehicles. The potential production and distribution of Geely Holding-branded vehicles by Geely Holding will constitute competing businesses (the "**Competing Businesses**") to those currently engaged by the Group. Mr. Li undertook 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, 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 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 would 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 (as defined in the announcement of the Company dated 24 February 2021) 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 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.

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

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

(1) Volvo

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

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

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

(2) LYNK & CO

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

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

Other brands that are controlled by Geely Holding

(3) Lotus

Lotus is a manufacture brand under Lotus Advance Technologies Sdn. Bhd., which is controlled by Geely Holding. As at the Latest Practicable Date, Geely Holding indirectly held 51% of the total issued share capital of Lotus Advance Technologies Sdn. Bhd. and controlled it.

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 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.

(4) Polestar

Polestar is a manufacture brand under Polestar Automotive Holding UK PLC. Polestar Automotive Holding UK PLC was owned as to more than 80% by Mr. Li and his associate as at the Latest Practicable Date.

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.

(5) LEVC

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 launched three models: the TX, VN5 Vans, and the L380 pure electric MPV. The TX and VN5 Vans are mainly targeted at the European and other international markets, while the L380 pure electric MPV is mainly aimed at the global market. The customer bases and pricing of these models are different from the Group's major brands, namely Geely and ZEEKR.

(6) Livan

Livan is an electric mobility brand focusing on battery swapping business models. Livan was jointly established by the Group and Lifan Technology. As at the Latest Practicable Date, Livan was owned as to 55% by Lifan Technology and 45% by Geely Qizheng, which is ultimately and beneficially wholly-owned by Mr. Li and his associate. The vision of Livan is to create a new pattern of battery swapping in the new energy era.

The goal is to shape the perception of intergenerational advantage, to advocate the lifestyle of battery swapping, and to create new value and changes for the industry. Livan positions itself as popularizing convenient commute with battery swapping. Livan has released a number of battery swapping models, which not only focus on the operation market, but also provide more choices for consumers. The business-end and customer-end drive the business growth at the same time. Livan has obvious differentiations with the Group's major brands, namely Geely and ZEEKR, regarding product positioning, targeted market segment and business operation models.

(7) smart

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

(8) JIDU

JIDU is a premium intelligent automotive robot brand under Geely Holding, positioned as a high-end intelligent brand. It is committed to creating leading intelligent automotive robots, providing users with benchmark intelligent technology travel experiences through advanced autonomous driving, intelligent cabin products, and innovative digital services. JIDU has already launched two AI intelligent pure electric products: the first product "JIDU 01" is an SUV model, and the second product "JIDU 07" is a sedan model. These products are built on the SEA (Sustainable Experience Architecture) vast platform and equipped with a "pure vision" intelligent driving system further developed based on Apollo's advanced autonomous driving capabilities, as well as an intelligent cabin empowered by AI large models. JIDU brand targets consumers who place greater emphasis on intelligence and technological feel, pursue cutting-edge technology and intelligent driving experiences, and are passionate about technology and innovation. Therefore, JIDU has adopted differentiated strategies from the Group's main brands such as Geely and ZEEKR in terms of product positioning and target customer groups.

(9) Zhidou

Zhidou is a manufacturing brand under a joint venture company established by Nanjing Zhidou New Energy Automotive Company Limited and third parties. From the beginning, Zhidou has focused on the new energy micro-mobility sector. Zhidou has operated in the micro-electric vehicle segment, committed to providing users with small yet beautiful mobility solutions. Zhidou Caihong is the first new energy micro-electric vehicle launched after Zhidou's brand renewal, aiming to meet the needs of young users for environmentally-friendly, convenient, and economical travel.

This model, with its outstanding design and performance, satisfies consumers' demand for personalized and differentiated mobility, becoming a representative work of the Zhidou brand. Zhidou continues to focus on the micro-vehicle market, building an industry-leading micro-mobility platform. In terms of product positioning and target market segmentation, Zhidou differs significantly from the Group's major brands, namely Geely and ZEEKR.

Businesses controlled by the controlling shareholder, such as Lotus, Polestar, LEVC, smart, JIDU and Zhidou differ significantly from the Group in terms of product positioning, target consumer groups, 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 2023, 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 Holding, LYNK & CO and ZEEKR and supplemental operation services agreement among the Company, Geely Holding, LYNK & CO, ZEEKR and Geely Technology (the operation services agreement has an effective term from 9 June 2023 to 31 December 2025 and the supplemental operation services agreement has an effective term from 7 February 2024 to 31 December 2025)

Pursuant to the operation services agreement dated 9 June 2023 and the supplemental operation services agreement dated 7 February 2024, (i) the Group agreed to provide to the Geely Holding Group, the LYNK & CO Group, ZEEKR Group and Geely Technology Group operation services that mainly include but not limited to information technology, logistics, supplier quality engineering services, manufacturing engineering, procurement services, human resources, and other administrative services with the largest annual cap being RMB2,260.9 million for the two years ending 31 December 2025; and (ii) the Group agreed to procure from the Geely Holding Group, LYNK & CO Group and the Geely Technology Group operation services that mainly include but not limited to business travel services, information technology, human resources, marketing services, charging services for NEVs, construction management services and aftersales services with the largest annual cap being RMB1,613.6 million for the two years ending 31 December 2025.

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

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

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

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

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

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

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

  The Shareholders' meeting in respect of the supplemental services agreement was held on 11 November 2022 and the supplemental services agreement was duly approved by the then independent Shareholders.

Volvo finance cooperation agreements among Genius AFC, VCDC and VCIC (the Volvo finance cooperation agreements has 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 brand vehicles, with the largest annual cap being RMB6,883.4 million for the three years ending 31 December 2024.

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

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

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

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

CBUs sales agreement and supplemental CBUs sales agreement both between the Company and Geely Holding (the CBUs sales agreement has an effective term from 1 January 2022 to 31 December 2024 and the supplemental CBUs sales agreement has an effective term from 9 June 2023 to 31 December 2024)

Pursuant to the CBUs sales agreement dated 15 October 2021 and supplemental CBUs sales agreement entered into between Geely Holding and the Company on 9 June 2023, 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 RMB3,991.9 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.

CBUs sales agreement between the Company and Geely Holding (the CBUs sales agreement has an effective term from 1 January 2025 to 31 December 2027)

Pursuant to the CBUs sales agreement dated 15 August 2024, the Group agreed to sell CBUs and related after-sales parts and accessories manufactured by the Group to the Geely Holding Group with the largest annual cap being RMB213.2 million for the three years ending 31 December 2027.

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.

The powertrain purchase agreement among the Company, Aurobay Technology, and Geely Changxing (the powertrain purchase agreement has an effective term from 31 May 2024 to 31 December 2026)

Pursuant to the powertrain purchase agreement dated 11 July 2023, the Group agreed to purchase engines, transmissions and relevant after-sales parts and other products from the Aurobay Technology Group and Geely Changxing Group with the largest annual cap being RMB25,846.6 million for the three years ending 31 December 2026.

As one or more of the applicable percentage ratios of the proposed annual caps under the powertrain purchase agreement exceed 5% on an annual basis, the proposed annual caps under the powertrain 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 powertrain purchase agreement was held on 22 September 2023 and the powertrain purchase agreement was duly approved by the then independent Shareholders.

The powertrain sales agreement among the Company, Geely Holding and LYNK & CO (the powertrain sales agreement has an effective term from 1 January 2024 to 31 December 2024)

Pursuant to the powertrain sales agreement dated 15 September 2023, the Group agreed to sell engines, transmissions and relevant after-sales parts and other products to the Geely Holding Group and the LYNK & CO Group with the largest annual cap being RMB1,960.9 million for the year ending 31 December 2024.

As the applicable percentage ratios of the continuing connected transactions contemplated under the powertrain sales agreement are over 0.1% but less than 5% on an annual basis, the powertrain 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.

Volvo finance cooperation agreements among Genius AFC, VCDC and VCIC (the Volvo finance cooperation agreements have an effective term from 1 January 2025 to 31 December 2027)

- Volvo wholesale facility agreements between Genius AFC and Volvo Dealers (the Volvo wholesale facility agreements have an effective term from 1 January 2025 to 31 December 2027)

Pursuant to the Volvo finance cooperation agreements dated 15 August 2024, 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 brand vehicles, with the largest annual cap being RMB2,128.8 million for the three years ending 31 December 2027.

- Volvo retail loan cooperation agreements between Genius AFC and Volvo Dealers (the Volvo retail loan cooperation agreements have an effective term from 1 January 2025 to 31 December 2027)

Pursuant to the Volvo finance cooperation agreements dated 15 August 2024, 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 brand vehicles with the largest annual cap being RMB803 million for the three years ending 31 December 2027.

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

Livan financing arrangements – Livan finance cooperation agreement between Genius AFC and Livan Sales with an effective term from its effective date to 31 December 2026

Pursuant to the Livan finance cooperation agreement dated 15 August 2024, Genius AFC agreed to provide vehicle financing services to Livan retail customers to assist them with purchasing Livan brand vehicles, auto accessories and services. The largest annual cap under the Livan finance cooperation agreement is approximately RMB220 million for the three years ending 31 December 2026.

As the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the Livan finance cooperation agreement are over 0.1% but less than 5% on an annual basis, the Livan 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.

Zhidou financing arrangements – Zhidou finance cooperation agreement between Genius AFC and Zhidou Sales with an effective term from its effective date to 31 December 2027

Pursuant to the Zhidou finance cooperation agreement dated 15 August 2024, Genius AFC agreed to provide vehicle financing services to Zhidou retail customers to assist them with purchasing Zhidou brand vehicles, auto accessories and services. The largest annual cap under the Zhidou finance cooperation agreement is approximately RMB316.1 million for the three years ending 31 December 2027.

As the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the Zhidou finance cooperation agreement are over 0.1% but less than 5% on an annual basis, the Zhidou 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.

CBUs and CKDs procurement cooperation agreement between the Company and Geely Holding (the CBUs and CKDs procurement cooperation agreement has an effective term from 1 January 2024 to 31 December 2026)

Pursuant to the CBUs and CKDs procurement cooperation agreement dated 15 September 2023, the Group agreed to purchase the CBUs and CKDs that are mainly used for the ZEEKR brand vehicles from the Geely Holding Group with the largest annual cap being RMB154,897.7 million for the three years ending 31 December 2026.

As the applicable percentage ratios of the continuing connected transactions contemplated under the CBUs and CKDs procurement cooperation agreement are higher than 5% on an annual basis, the CBUs and CKDs procurement cooperation 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 CBUs and CKDs procurement cooperation agreement was held on 27 November 2023 and the CBUs and CKDs procurement cooperation agreement was duly approved by the then independent Shareholders.

R&D services and technology licensing agreement among the Company, Geely Holding, LYNK & CO, ZEEKR, Lotus Technology, Polestar AB, Polestar China, JIDU, LEVC and smart (the R&D services and technology licensing agreement has an effective term from 1 January 2024 to 31 December 2026)

Pursuant to the R&D services and technology licensing agreement dated 15 September 2023, (i) the Group agreed to provide to the Geely Holding and Related Party Groups (as defined in the circular of the Company dated 8 November 2023), the R&D and related technological support services, including the R&D for automobiles and key automobile parts, technical verification and testing, technical consultation services, technical support services, technology licensing, etc., with the largest annual cap being RMB12,601.4 million for the three years ending 31 December 2026; and (ii) the Group agreed to the Geely Holding Group and the ZEEKR Group the R&D and related technological support services, including the R&D of the NEV technologies and intelligent drive technologies, technical verification and testing, technical consultation services, technical support services and technology licensing, etc., with the largest annual cap being RMB2,468.7 million for the three years ending 31 December 2026.

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 27 November 2023 and the R&D services and technology licensing agreement was duly approved by the then independent Shareholders.

Automobile financing arrangements with effective terms from 1 January 2024 to 31 December 2026

LYNK & CO financing arrangements – LYNK & CO finance cooperation agreement between Genius AFC and LYNK & CO Sales with an effective term from 1 January 2024 to 31 December 2026

Pursuant to the LYNK & CO finance cooperation agreement dated 15 September 2023, Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers (as defined in the circular of the Company dated 8 November 2023) and LYNK & CO retail customers, including (i) wholesale financing to the LYNK & CO Dealers to assist them purchasing LYNK & CO brand vehicles, auto accessories and services; and (ii) retail financing to the LYNK & CO retail customers to assist them with purchasing LYNK & CO brand vehicles, auto accessories and services. The largest annual cap for the LYNK & CO wholesale financing arrangements is RMB509.8 million for the three years ending 31 December 2026. The largest annual cap for the LYNK & CO retail financing arrangements is RMB6,149.4 million for the three years ending 31 December 2026.

ZEEKR financing arrangements – ZEEKR finance cooperation agreement between Genius AFC and ZEEKR with an effective term from 1 January 2024 to 31 December 2026

Pursuant to the ZEEKR finance cooperation agreement dated 15 September 2023, Genius AFC agreed to provide vehicle financing services to the ZEEKR Dealers (as defined in the circular of the Company dated 8 November 2023) and ZEEKR retail customers, including (i) wholesale financing to the ZEEKR Dealers to assist them purchasing ZEEKR brand vehicles, auto accessories and services; and (ii) retail financing to the ZEEKR retail customers to assist them with purchasing ZEEKR brand vehicles, auto accessories and services. The largest annual cap for the ZEEKR wholesale financing arrangements is RMB10.0 million for the three years ending 31 December 2026. The largest annual cap for the ZEEKR retail financing arrangements is RMB10,322.9 million for the three years ending 31 December 2026.

Geely Holding financing arrangements – Geely Holding finance cooperation agreement between Genius AFC and Geely Holding with an effective term from 1 January 2024 to 31 December 2026

Pursuant to the Geely Holding finance cooperation agreement dated 15 September 2023, Genius AFC agreed to provide vehicle financing services to the Geely Holding Dealers (as defined in the circular of the Company dated 8 November 2023) and Geely Holding retail customers, including (i) wholesale financing to the Geely Holding Dealers to assist them purchasing Geely Holding-owned brand vehicles, auto accessories and services; and (ii) retail financing to the Geely Holding retail customers to assist them with purchasing (a) Geely brand vehicles, auto accessories or services from the Connected Geely Dealers; or (b) Geely Holding-owned brand vehicles, auto accessories or services from the Geely Holding Dealers or other sellers. The largest annual cap for the Geely Holding wholesale financing arrangements is RMB142.5 million for the three years ending 31 December 2026. The largest annual cap for the Geely Holding retail financing arrangements is RMB1,307.1 million for the three years ending 31 December 2026.

smart financing arrangements – smart finance cooperation agreement between Genius AFC and smart Sales with an effective term from 1 January 2024 to 31 December 2026

Pursuant to the smart finance cooperation agreement dated 15 September 2023, Genius AFC agreed to provide vehicle financing services to the smart retail customers to assist them with purchasing smart brand vehicles, auto accessories and services. The largest annual cap for the smart wholesale financing arrangements is RMB455.0 million for the three years ending 31 December 2026. The largest annual cap for the smart retail financing arrangements is RMB4,141.2 million for the three years ending 31 December 2026.

Lotus financing arrangements – Lotus finance cooperation agreement between Genius AFC and Lotus Sales with an effective term from 1 January 2024 to 31 December 2026

Pursuant to the Lotus finance cooperation agreement dated 15 September 2023, Genius AFC agreed to provide vehicle financing services to the Lotus retail customers to assist them with purchasing Lotus brand vehicles, auto accessories and services. The largest annual cap for the Lotus wholesale financing arrangements is RMB22.0 million for the three years ending 31 December 2026. The largest annual cap for the Lotus retail financing arrangements is RMB1,814.3 million for the three years ending 31 December 2026.

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 27 November 2023 and the automobile financing arrangements were duly approved by the then independent Shareholders.

CBUs procurement agreement between the Company and ZEEKR (the CBUs procurement agreement has an effective term from 7 February 2024 to 31 December 2026)

Pursuant to the CBUs procurement agreement dated 7 February 2024, the Group agreed to purchase CBUs and related after-sales parts and accessories from the ZEEKR Group for the onward sale to Mexico with the largest annual cap being RMB3,128.8 million for the three years ending 31 December 2026.

As the applicable percentage ratios of the continuing connected transactions contemplated under the CBUs procurement agreement are over 0.1% but less than 5% on an annual basis, the CBUs procurement 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.

CKDs and automobile components sales agreement between the Company and Geely Holding (the CKDs and automobile components sales agreement has an effective term from 28 April 2023 to 31 December 2025)

Pursuant to the CKDs and automobile components sales agreement dated 12 December 2022, the Group agreed to sell CKDs and automobile components in relation to vehicle models including smart brand vehicles to the Geely Holding Group with the largest annual cap being RMB34,109.6 million for the three years ending 31 December 2025.

As the applicable percentage ratios of the continuing connected transactions contemplated under the CKDs and automobile components sales agreement are higher than 5% on an annual basis, the CKDs and 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 CKDs and automobile components sales agreement was held on 28 April 2023 and the CKDs and automobile components sales agreement was duly approved by the then independent Shareholders.

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

d) **Director's Service Contracts**

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

4. LITIGATION

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, 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 1 (dealing in securities) and 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 2023, the date to which the latest audited financial statements of the Group was made up; and

c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

7. MATERIAL CONTRACTS

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

(i) the framework agreement dated 8 November 2022 entered into among Geely Holding, Renault, and the Company in relation to the formation of a joint venture company regarding internal combustion engine, hybrid and plug-in hybrid powertrains and transmissions activities and related technologies;

(ii) the acquisition agreement dated 12 December 2022 and the supplemental agreement dated 28 March 2023 entered into between Zhejiang Jirun and 浙江吉利汽車製造有限公司 (Zhejiang Geely Automobile Manufacturing Company Limited*) in relation to the acquisition of 西安吉利汽車有限公司 (Xi'an Geely Automobile Company Limited*) for a cash consideration of approximately RMB382.5 million;

(iii) the acquisition agreement dated 20 January 2023 entered into between Geely International (Hong Kong) Limited and Linkstate Overseas Limited in relation to the acquisition of the Proton sale shares and the sale loan for an aggregate consideration of approximately RMB1,456.7 million;

(iv) the acquisition agreement dated 20 January 2023 entered into between GIHK and Linkstate in relation to the acquisition of 49.9% of DHG at a nominal consideration of US$1.00;

(v) the contribution agreement dated 11 July 2023 entered into among the Company, Geely Holding and Renault in relation to the contribution all of their respective shares, whether directly or indirectly held, in Aurobay Holding, Aurobay SG and Horse Holding to the JV Company;

(vi) the joint venture agreement dated 11 July 2023 entered into between the Company, Geely Holding and Renault in relation to the establishment of the JV Company engaging the powertrain business;

(vii) the assets transfer agreement dated 15 September 2023 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 to be used in the Group's R&D for the automobile parts and components under the LYNK & CO brand, the ZEEKR brand and the Geely brand, as well as small amount of other equipment and software system) for a maximum cash consideration of approximately RMB508.5 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) for a maximum cash consideration of approximately RMB168.4 million;

(viii) the equity transfer agreement dated 20 February 2024 entered into between Zhejiang Jirun and Geely Qizheng in relation to the disposal of a 45% equity interest in Livan Automotive at a cash consideration of RMB504 million; and

(ix) the sales and purchase agreement dated 28 June 2024 entered into between the Company, Renault, Geely Holding, GHPT Limited, Aurobay Holding Limited (collectively, the "**Sellers**") and Aramco Asia Singapore Pte. Ltd. (the "**Buyer**"), pursuant to which the Sellers conditionally agreed to sell in aggregate and the Buyer conditionally agreed to purchase 600,000,000 ordinary shares of EUR1.00 each in the capital of Horse Powertrain Limited (the "**JV Company**", representing 10% of the JV Company's fully-diluted share capital) at an initial base consideration of EUR740,000,000, subject to further adjustments.

8. GENERAL

a) The registered office of the Company is situated at P.O. Box 309, Ugland 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 Thursday, 10 October 2024:

a) the Services Agreement;

b) the Automobile Components Sales and Purchase Agreement;

c) the Operation Services Agreement

d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

e) 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;

f) the letter from Ballas Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

g) the written consent from Ballas Capital Limited referred to in the paragraph headed "Qualification of expert" in this appendix.

h) the memorandum and articles of association of the Company;

i) annual reports of the Company for the financial year ended on 31 December 2021, 31 December 2022, and 31 December 2023; and

j) this circular.

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock codes: 175 (HKD counter) and 80175 (RMB counter)

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 Thursday, 10 October 2024 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 15 August 2024 (the "**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 caps in respect of (i) the sales of complete knock down kits; and (ii) purchase of complete buildup units by the Group under the Services Agreement for each of the three financial years ending 31 December 2027 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 Services Agreement."

2. "**THAT**:

   a. the conditional agreement dated 15 August 2024 (the "**Automobile Components Sales and Purchase Agreement**") entered into between the Company, Geely Holding, 領克汽車科技有限公司 (LYNK & CO Automotive Technology Co., Ltd.*) ("**LYNK & CO**" together with its subsidiaries, the "**LYNK & CO Group**"), ZEEKR Intelligent Technology Holding Limited ("**ZEEKR**" together with its subsidiaries, the "**ZEEKR Group**"), 浙江翼真新能源汽車有限公司 (Zhejiang LEVC New Energy Automobile Co., Ltd.*) ("**LEVC**" together with its subsidiaries, the "**LEVC Group**"), 吉利科技集團有限公司 (Geely Technology Group Co., Ltd.*) ("**Geely Technology**" together with its subsidiaries, the "**Geely Technology Group**"), 無錫星驅科技有限公司 (Wuxi InfiMotion Technology Co., Ltd.*) ("**InfiMotion**" together with its subsidiaries, the "**InfiMotion Group**"), 浙江耀寧科技集團有限公司 (ZheJiang YoeNing Technology Group Co., Ltd.*) ("**YoeNing Technology**" together with its subsidiaries, the "**YoeNing Technology Group**"), and 山東吉利欣旺達動力電池有限公司 (Shandong Geely Sunwoda Power Battery Co., Ltd.*) ("**Geely Sunwoda**" together with its subsidiaries, the "**Geely Sunwoda Group**"), a copy of which is tabled at the meeting and marked "**B**" and initialed by the chairman of the meeting for identification purpose, pursuant to which, (i) the Group agreed to sell automobile components to the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group and the LEVC Group; and (ii) the Group agreed to purchase automobile components from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the YoeNing Technology Group, the Geely Technology Group, the InfiMotion Group and the Geely Sunwoda Group, be and is hereby approved, ratified and confirmed;

b. the annual caps in respect of the sale and purchase of automobile components by the Group under the Automobile Components Sales and Purchase Agreement for each of the three financial years ending 31 December 2026 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 Automobile Components Sales and Purchase Agreement."

3. "**THAT**:

a. the conditional agreement dated 15 August 2024 (the "**Operation Services Agreement**") entered into between the Company, Geely Holding, LYNK & CO, ZEEKR, Geely Technology, 極光灣科技有限公司 (Aurobay Technology Co., Ltd.*) ("**Aurobay Technology**" together with its subsidiaries, the "**Aurobay Technology Group**"), 吉利長興自動變速器有限公司 (Geely Changxing Automatic Transmission Co., Ltd.*) ("**Geely Changxing**" together with its subsidiaries, the "**Geely Changxing Group**"), 武漢路特斯科技有限公司 (Wuhan Lotus Technology Company Limited*) ("**Lotus Technology**" together with its subsidiaries, the "**Lotus Technology Group**"), JIDU Auto Inc. (集度汽車公司*) ("**JIDU**" together with its subsidiaries, the "**JIDU Group**"), 智馬達汽車有限公司 (smart Automobile Co., Ltd.*) ("**smart**" together with its subsidiaries, the "**smart Group**"), 天津醇氫生態科技有限公司 (Tianjin Chunqing Technology Co., Ltd.*) ("**Tianjin Chunqing**" together with its subsidiaries, the "**Tianjin Chunqing Group**"), 遠程商用車科技有限公司 (Farizon Commercial Vehicle Technology Co., Ltd.*) ("**Farizon Technology**" together with its subsidiaries, the "**Farizon Technology Group**"), 浙江吉利遠程新能源商用車集團有限公司 (Zhejiang Geely Farizon New Energy Commercial Vehicle Group Co., Ltd.*) ("**Commercial Vehicle**" together with its subsidiaries, the "**Commercial Vehicle Group**"), 重慶睿藍汽車科技有限公司 (Chongqing

Livan Automotive Technology Co., Ltd.*) ("**Livan Automotive**" together with its subsidiaries, the "**Livan Automotive Group**"), and YoeNing Technology (collectively, the Geely Holding Group, the ZEEKR Group, the LYNK & CO Group, the Geely Technology Group, the smart Group, the Farizon Technology Group, the Commercial Vehicle Group, the Tianjin Chunqing Group, the Livan Automotive Group, the YoeNing Technology Group, the Lotus Technology Group, the Farizon Technology Group, the JIDU Group, the Aurobay Technology Group and the Geely Changxing Group are referred to as the "**Geely Holding and Related Party Groups**"), a copy of which is tabled at the meeting and marked "**C**" and initialed by the chairman of the meeting for identification purpose, pursuant to which, (i) the Group agreed to provide to the Geely Holding and Related Party Groups operation services that mainly include, but are not limited to, IT, logistics and warehousing services, supplier quality engineering services, procurement services, back-office support services (including but not limited to accounting services, human resources services, etc.), testing and trial production services, and other services; and (ii) the Group agreed to procure from the Geely Holding Group, the LYNK & CO Group, the ZEEKR Group, the Geely Technology Group, the Aurobay Technology Group and the Geely Changxing Group operation services that mainly include, but are not limited to, business travel services, IT, back-office support services (including but not limited to marketing and publicity services, legal services, etc.), charging rights services, testing and trial production services, and other services, be and is hereby approved, ratified and confirmed;

b. the annual caps in respect of provision and procurement of operation services by the Group under the Operation Services Agreement, for each of the three financial years ending 31 December 2026 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 Operation Services Agreement."

* *For identification purposes only*

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

Hong Kong, 24 September 2024

Notes:

(1) In order to establish entitlements of attending and voting at the forthcoming extraordinary general meeting of the Company to be held on Thursday, 10 October 2024, 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 4 October 2024.

(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 form of proxy 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), Ms. Wei Mei, Mr. Gan Jia Yue and Mr. Mao Jian Ming, Moosa; and the independent non-executive directors of the Company are Mr. An Qing Heng, Mr. Wang Yang, Ms. Gao Jie, Ms. Yu Li Ping, Jennifer and Mr. Zhu Han Song.