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)

EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF NINGBO PASSENGER VEHICLE AND EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to Geely Automobile Holdings Limited

浦銀國際
SPDB INTERNATIONAL

EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF NINGBO PASSENGER VEHICLE

On 21 October 2024 (after trading hours), Zhejiang Passenger Vehicle, an indirectly wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Geely Holding with regard to the acquisition of the entire equity interest of Ningbo Passenger Vehicle, for a cash consideration of RMB123.689 million.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITION

On 21 October 2024 (after trading hours), the Company entered into the Integrated Services Framework Agreement with VCI, Livan Automotive and Farizon Technology for a term from the completion date of the Acquisition to 31 December 2026, pursuant to which the Group has conditionally agreed to provide the Integrated Services to the VCI Group, the Livan Group and the Farizon Technology Group.

The aggregated annual caps under the Integrated Services Framework Agreement in relation to the services to be provided by the Group are RMB16.029 million, RMB98.361 million and RMB127.413 million for the three years ending 31 December 2026, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Geely Holding, is a substantial shareholder of the Company holding approximately 40% of the total issued Shares. As such, Geely Holding is a connected person of the Company under the Listing Rules.

As at the date of this announcement, VCI is an indirect non-wholly-owned subsidiary of Geely Holding. As such, VCI is an associate of Geely Holding and a connected person of the Company under the Listing Rules.

As at the date of this announcement, Livan Automotive is indirectly owned as to more than 30% by Mr. Li and his associate and therefore a connected person of the Company under the Listing Rules.

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

Accordingly, the Acquisition constitutes a connected transaction and the transactions under the Integrated Services Framework Agreement constitute continuing connected transactions for the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition exceeds 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the aggregated annual caps for the Integrated Services Framework Agreement exceeds 0.1% but are less than 5% for the relevant financial year, the entering into of the Integrated Services Framework Agreement and the transactions contemplated thereunder 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.

EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF NINGBO PASSENGER VEHICLE

The Acquisition

On 21 October 2024 (after trading hours), Zhejiang Passenger Vehicle, an indirectly wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Geely Holding with regard to the acquisition of the entire equity interest of Ningbo Passenger Vehicle, for a cash consideration of RMB123.689 million.

The principal terms of the Equity Transfer Agreement are set out below:

Date

21 October 2024 (after trading hours)

Parties

Vendor:	Geely Holding
Purchaser:	Zhejiang Passenger Vehicle

Geely Holding is a limited liability company established in the PRC and is beneficially wholly-owned by Mr. Li and his associate. Geely Holding is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Geely Holding is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

Zhejiang Passenger Vehicle is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company. Zhejiang Passenger Vehicle is principally engaged in the automotive-related integrated vehicle services.

Subject matter

Pursuant to the Equity Transfer Agreement, Zhejiang Passenger Vehicle has conditionally agreed to acquire the entire equity interest of Ningbo Passenger Vehicle from Geely Holding for a cash consideration of RMB123.689 million. Details of the Ningbo Passenger Vehicle Group are set out in the paragraph headed "Information on the Ningbo Passenger Vehicle Group – Principal business of the Ningbo Passenger Vehicle Group" below.

Upon completion of the Acquisition, Ningbo Passenger Vehicle will become an indirectly wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the consolidated financial statements of the Group.

Consideration

The consideration for the Acquisition is RMB123.689 million, which will be payable in cash to Geely Holding on the completion date of the Acquisition.

The consideration was determined after arm's length negotiations between Zhejiang Passenger Vehicle and Geely Holding with reference to the appraised value of 100% equity interest of Ningbo Passenger Vehicle and its subsidiary as at 30 September 2024 determined by an independent valuer using the asset-based approach.

It is expected that the consideration for the Acquisition will be funded by the internal cash reserve of Zhejiang Passenger Vehicle.

Conditions precedent

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

(a) the internal decision-making body of Ningbo Passenger Vehicle having signed all documents related to the Acquisition, its latest articles of association/amendments to the articles of association having been approved by such internal decision-making body, and the form and content of these documents having complied with the requirements of applicable laws;

(b) Zhejiang Passenger Vehicle being satisfied with the due diligence of Ningbo Passenger Vehicle (including all of its directly or indirectly controlled companies) in respect of its legal, financial and operational management, and other aspects which Zhejiang Passenger Vehicle considers material;

(c) the internal decision-making body of Geely Holding having approved the Acquisition and executed all documents related to the Acquisition, and the form and content of these documents having complied with the requirements of applicable laws;

(d) the internal decision-making body of Zhejiang Passenger Vehicle having approved the Acquisition and executed all documents related to the Acquisition, and the form and content of these documents having complied with the requirements of applicable laws;

(e) the representations, warranties and undertakings made by Geely Holding as set out in the Equity Transfer Agreement and any documents provided pursuant to the Equity Transfer Agreement, being true, accurate and complete in all material respects from the date of signing of the Equity Transfer Agreement up to and including the completion date of the Acquisition;

(f) up to and including the completion date of the Acquisition, no material adverse event having occurred with respect to Ningbo Passenger Vehicle;

(g) there exists no legal proceeding, contract, agreement or other arrangement at the fault of Geely Holding that would result in the Acquisition being wholly or materially prohibited, restricted, or otherwise obstructed, or circumstances where a third party would object to the Acquisition, claim or seek other relief, or where a third party may impose restrictions or conditions on the Acquisition or otherwise interfere with the Acquisition, and there are no laws or regulations, court rulings or judgments, arbitrations, policies or governmental orders that prohibit or restrict any party from entering into the Acquisition;

(h) all agreements/contracts and ancillary documents related to the Acquisition having been duly executed;

(i) the Company having complied with the Listing Rules requirements in relation to the Equity Transfer Agreement and the transaction contemplated thereunder; and

(j) all required approvals, consents, filings and waivers (if any) from governmental authorities and third parties in connection with the Acquisition having been obtained.

Completion of the Acquisition

Completion shall take place on the fifth business day after all conditions precedent under the Equity Transfer Agreement have been fulfilled or waived (as the case may be), or on such other later date Geely Holding and Zhejiang Passenger Vehicle may agree in writing.

VALUATION METHODOLOGY

a. Background of valuation methods

In arriving at the market value, three generally accepted approaches are considered, namely market approach, cost approach and income approach.

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

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information regarding the economic benefits contributed by the subject assets.

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

b. Selection of valuation method

The cost approach is adopted for the valuation. Under the cost approach, the asset-based approach is typically adopted for a valuation subject when its value is primarily a factor of the value of the valuation subject's holding assets and liabilities. Under the asset-based approach, each identifiable asset and liability of Ningbo Passenger Vehicle Group is being valued using the appropriate valuation approaches, and the valuer's opinion of value is derived by adding component assets and deducting component liabilities.

c. Reason for the selection of asset-based approach

Given the business specificity of Ningbo Passenger Vehicle Group, there are substantial limitations to using both the income approach and the market approach for valuing Ningbo Passenger Vehicle Group. Firstly, the income approach requires subjective assumptions, to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value, but such information is highly uncertain as of the Valuation Date. Ningbo Passenger Vehicle Group conducts vehicle quality inspections for its related parties, and it is hard to obtain independent financial forecasts and business plans with supporting evidence. Therefore, the income approach is not adopted in the valuation. Secondly, the market approach generally relies on deriving value through a measure of the values of public companies or transactions. Since the business of Ningbo Passenger Vehicle Group is one constituent of the whole automotive production process, it is hard to find out the public companies or transactions similar in business nature, operating region and size, identified as comparables as at the Valuation Date. Therefore, the market approach is not adopted in the valuation.

ASSUMPTIONS OF THE VALUATION

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at the valuer's assessed value.

The following key assumptions in determining the market value of 100% equity interest of Ningbo Passenger Vehicle Group have been made:

(i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Ningbo Passenger Vehicle Group;

(ii) the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

(iii) copies of the business licenses and company incorporation documents are provided and such information is assumed to be reliable and legitimate. Such information has been relied on to a considerable extent in arriving at the opinion of value;

(iv) the financial and operational information provided by Ningbo Passenger Vehicle Group is accurate and is relied on to a considerable extent in arriving at the opinion of value;

(v) the capital structure of the Ningbo Passenger Vehicle Group will not change;

(vi) for portion of the buildings of the property which have not been provided with real estate title certificate, these buildings were valued on the assumption that the properties can be freely transferred or disposed of without payment of any further land premium, construction cost, penalty or transfer fees; and

(vii) there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, the valuer assumes no responsibility for changes in market conditions after the Valuation Date.

INPUTS AND COMPUTATION PROCESS OF THE VALUATION

In this valuation, the type of assets and liabilities and their conditions are considered when arriving at the market value. Appropriate valuation methodology is adopted for each different class of assets and liabilities.

Fixed assets

Fixed assets mainly include following assets:

1. Properties and Plant

The properties and plant have been valued by the cost approach with reference to their depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". Under the replacement cost approach, the valuation of properties and plant is derived by first calculating the total replacement cost, which encompasses the construction work volume, adhering to existing fixed standards or pricing regulations, along with construction fees and loan interest rates, based on available information pertaining to construction works, completion, and settlement. Subsequently, the residual ratio is determined, taking into account the useful life of the buildings and a thorough on-site inspection, thereby establishing the appraised value. In addition, the final value is adjusted with reference to the HKFRS.

2. Machinery and Equipment

For equipment, market comparison approach was primarily utilized for equipment where an active secondary market exists. The market approach entails considering the recent transaction prices of comparable assets, incorporating adjustments to the indicated market prices in order to mirror the specific condition and utility of the vehicles being appraised relative to the market comparables. For all other assets without an active secondary market, the valuer relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence. In addition, the final value is adjusted with reference to the HKFRS.

Land lease prepayments – Land use rights

Market comparison approach was adopted in the valuer's assessment of the land use rights. This approach rests on the wide acceptance of market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors. In addition, the final value is adjusted with reference to the HKFRS.

Deferred tax liabilities

The deferred tax liabilities are derived from the appreciation of the fixed assets and land lease prepayments. It is calculated by multiplying the appreciation by the income tax rate.

Other assets and liabilities

Other assets of the Ningbo Passenger Vehicle Group consist of trade and other receivables, bank balances and cash, amounts due from fellow subsidiaries and related parties, deferred tax assets, and long-term investments. More than 99% of trade receivables are from related parties, with minimal recovery risk. Other liabilities of the Ningbo Passenger Vehicle Group mainly consist of trade and other payables, income tax payable, and amounts due to fellow subsidiaries and related parties.

Other assets and liabilities are valued based on the book values as stated in the combined financial statements issued by the Ningbo Passenger Vehicle Group.

ANALYSIS OF THE REASONS OF THE DIFFERENCE BETWEEN APPRAISED VALUE AND BOOK VALUE

A. Fixed assets: the appraised value of fixed assets was approximately RMB165.357 million and the book value was approximately RMB156.497 million, representing an appreciation amount of approximately RMB8.86 million. The appreciation of fixed assets was primarily due to rising labor and material costs. Moreover, the buildings, structures, and machinery are well-maintained, effectively offsetting the depreciation caused by technological updates and equipment impairment.

B. Land lease prepayments: the appraised value of land lease prepayments was approximately RMB131.615 million and the book value was approximately RMB53.815 million, representing an appreciation amount of approximately RMB77.8 million. The appreciation was mainly due to the continuous increase of the land price for the land use rights.

C. Deferred tax liabilities: the appraised value of deferred tax liabilities was approximately RMB21.67 million and the book value was zero, representing potential economic burden of paying extra taxes due to the appreciation of fixed assets and land lease prepayments.

Based on the valuation methods described above, as of the Valuation Date, the 100% equity interest of Ningbo Passenger Vehicle Group is RMB123.689 million.

IDENTITY AND QUALIFICATION OF THE VALUER

The identity and qualification of the valuer is as follows:

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited (仲量聯行企業評估及諮詢有限公司)	Independent valuer

INFORMATION ON THE NINGBO PASSENGER VEHICLE GROUP

Principal business of the Ningbo Passenger Vehicle Group

Ningbo Passenger Vehicle is a limited liability company established in the PRC and is a wholly-owned subsidiary of Geely Holding as at the date of this announcement. There is no original acquisition cost for Ningbo Passenger Vehicle as it was incorporated by Geely Holding. Ningbo Passenger Vehicle Group is mainly engaged in automotive-related integrated vehicle services in the PRC.

Financial information of the Ningbo Passenger Vehicle Group

As Ningbo Passenger Vehicle and its subsidiary are under common control of Geely Holding, the historical financial information of Ningbo Passenger Vehicle Group has been presented as if the current group structure had been in existence since the date when Ningbo Passenger Vehicle and its subsidiary came under common control of Geely Holding. Set out below is the combined financial information of Ningbo Passenger Vehicle Group for the years/period as indicated below prepared under the HKFRS and Accounting Guideline 5 (Revised) "Merger Accounting for Common Control Combinations":

	For the year ended 31 December 2022	2023	For the nine months ended 30 September 2024
(Unaudited)			
RMB million			
(Loss)/Profit before taxation	(150.0)	91.0	394.0
(Loss)/Profit after taxation	(107.2)	86.7	298.9
(Unaudited)			
RMB million			
Net asset value as at 30 September 2024			58.7

As at 30 September 2024, the total assets of the Ningbo Passenger Vehicle Group mainly comprised properties, plant and equipment, cash and cash equivalents and trade and other receivables from the Geely Holding Group. Total liabilities of the Ningbo Passenger Vehicle Group mainly comprised trade and other payables.

Upon completion of the Acquisition, Ningbo Passenger Vehicle will become an indirectly wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the consolidated financial statements of the Group under the Group's accounting policies.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Enhancing the comprehensive strength of the Group's automobile brands

As the competition in the automobile market becomes increasingly vigorous and the market's expectation for automobile brands rises, the Acquisition would achieve effective resource integration, enhance the Group's strength in numerous core aspects such as technological strength, production equipment, quality management etc., so as to ensure the quality and safety of automobiles, increase the market's confidence in the Group's automobile brands in terms of quality and safety, and further expand the Group's reputation and influence.

Effectively reducing the continuing connected transactions between the Group and the Geely Holding Group

The Acquisition will achieve the integration of passenger vehicle manufacturing service resources, effectively reduce the amount of the current continuing connected transactions between the Group and the Geely Holding Group, and further enhance the independence of the Group from the Geely Holding Group.

Although the Acquisition is not entered into in the ordinary and usual course of business of the Company, the Board (including the independent non-executive Directors) considers that the Acquisition is on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITION

Integrated Services Framework Agreement

Upon completion of the Acquisition, the Ningbo Passenger Vehicle Group will continue to provide Integrated Services in relation to Volvo brand automobiles, Livan brand automobiles and Farizon brand automobiles to the VCI Group, the Livan Group and the Farizon Technology Group (as the case may be). Such transactions will constitute continuing connected transactions for the Company.

On 21 October 2024 (after trading hours), the Company entered into the Integrated Services Framework Agreement with VCI, Livan Automotive and Farizon Technology for a term from the completion date of the Acquisition to 31 December 2026, pursuant to which the Group has conditionally agreed to provide the Integrated Services to the VCI Group, the Livan Group and the Farizon Technology Group. The aggregated annual caps under the Integrated Services Framework Agreement are RMB16.029 million, RMB98.361 million and RMB127.413 million for the three years ending 31 December 2026, respectively.

The principal terms of the Integrated Services Framework Agreement are set out below:

Date

21 October 2024 (after trading hours)

Parties

(i) the Company (as service provider);

(ii) VCI;

(iii) Livan Automotive; and

(iv) Farizon Technology.

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.

VCI is principally engaged in assisting or acting as an agent for its invested enterprises to purchase the machinery, equipment, office equipment, raw materials, components, and parts required for production. It also helps these enterprises to sell products and provide after-sales services. As at the date of this announcement, VCI is an indirect non-wholly-owned subsidiary of Geely Holding.

Livan Automotive is principally engaged in the provision of battery swapping vehicles and services. As at the date of this announcement, it is indirectly owned as to more than 30% by Mr. Li and his associate.

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. As at the date of this announcement, Farizon Technology is ultimately owned as to more than 70% by Mr. Li and his associates.

Subject matter

Pursuant to the Integrated Services Framework Agreement, the Group has conditionally agreed to provide the Integrated Services to the VCI Group, the Livan Group and the Farizon Technology Group.

The Group, the VCI Group, the Livan Group and the Farizon Technology Group will enter into separate implementation agreements in accordance with the Integrated Services Framework Agreement to stipulate the specific service type or requirements; the type, specifications or quantity of required parts or components etc.; and the relevant pricing.

Term

The Integrated Services Framework Agreement has a term from the completion date of the Acquisition to 31 December 2026.

Conditions precedent to the Integrated Services Framework Agreement

The Integrated Services Framework Agreement is subject to the below conditions precedent:

(a) completion of the Acquisition having taken place and Ningbo Passenger Vehicle having become a wholly-owned subsidiary of the Company;

(b) the Company having obtained the required approvals and/or third party consents (if applicable); and

(c) in respect of the transactions contemplated under the Integrated Services Framework Agreement, the Company having complied with the requirements under the Listing Rules and having complied with all other requirements, if any, imposed by the Stock Exchange as a condition precedent to the Integrated Services Framework Agreement.

In the event that the above conditions precedent have not been satisfied by 31 December 2024 or such other date as the parties may agree in writing, any party shall have the right to terminate the Integrated Services Framework Agreement forthwith.

Pricing basis and aggregated annual caps

(a) Pricing basis

Pursuant to the Integrated Services Framework Agreement, the provision of the Integrated Services will be based on cost-plus basis according to:

the value-added cost of the provision of services by the Group × (1 + the value-added cost margin rate) + the non-value-added cost

Notes:

1. Value-added costs: the direct and indirect costs incurred by the Group in performing the Integrated Services but excluding finance costs, non-operating expenses, income tax expenses, etc.

2. The value-added cost margin rate is determined with reference to the range between the lower quartile and the upper quartile of the three-year weighted average cost-plus margin of the comparable companies as stated in the transfer pricing analysis report prepared by an independent certified public accountant or a similarly qualified institution.

3. Non-value-added costs: the Group's expenses incurred during the process (excluding finance costs) – the Group's value-added costs.

In any event, the pricing shall be determined on normal commercial terms after arm's-length negotiation, and it shall be according to market price, or not be lower than the pricing level of similar services provided by the Group to other independent third parties.

(b) ***Aggregated annual caps***

The table below sets out the aggregated annual caps under the Integrated Services Framework Agreement.

	Annual caps for the year ending 31 December		
	2024	**2025**	**2026**
	RMB million	*RMB million*	*RMB million*
Provision of the Integrated Services	16.029	98.361	127.413

(c) ***Basis of determination of the aggregated annual caps***

The proposed aggregated annual caps for the provision of the Integrated Services to the VCI Group, the Livan Group and the Farizon Technology Group were determined with reference to (i) the projected unit sales of the Volvo brand vehicles, the Farizon brand vehicles and the Livan brand vehicles, etc. for the three years ending 31 December 2026; (ii) the projected value-added costs and the non-value-added cost to be incurred for different vehicle models; and (iii) the margin rate which falls within the lower and upper quartile of the three-year weighted average cost-plus margin of the comparable companies as stated in the transfer pricing analysis report.

The increase in the proposed annual caps for the provision of the Integrated Services for the year ending 31 December 2025 is mainly because it is expected that the provision of Integrated Services will commence in the fourth quarter of 2024.

The increase in the proposed annual caps for the provision of the Integrated Services for the year ending 31 December 2026 is mainly attributable to the expected increase in the projected unit sales of the vehicles.

The Board (including the independent non-executive Directors) is of the view that (i) the transactions contemplated under the Integrated Services Framework Agreement are entered into in the ordinary and usual course of business of the Group; and (ii) the Integrated Services Framework Agreement is entered into on normal commercial terms, and the terms and the proposed aggregated annual caps of the Integrated Services Framework Agreement for the three years ending 31 December 2026 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 INTEGRATED SERVICES FRAMEWORK AGREEMENT

With the acquisition of Ningbo Passenger Vehicle by the Group, there will be continuing connected transactions between the VCI Group, the Livan Group, the Farizon Technology Group and the Group, mainly arising from the provision of the Integrated Services by the Group.

The Group will receive certain service fees as a result of the provision of such services to the VCI Group, the Livan Group and the Farizon Technology Group which will be recognised as revenue of the Group. As the revenue arising from the transactions to be carried out under the Integrated Services Framework Agreement does not represent a significant portion of the Group's overall revenue, the Group is of the view that the entering into of Integrated Services Framework Agreement will not result in significant dependence on the connected persons of the Group.

Due to personalised characteristics among the automobile brands of the Group, the VCI Group, the Livan Group and the Farizon Technology Group in terms of product positioning, selling prices, and other attributes, each group targets distinct consumer segments. As a result, the automobile businesses operated by these groups do not compete with each other. The Group therefore considers that the entering into of the Integrated Services Framework Agreement will provide the Group with additional revenue and at the same time will not have a material adverse impact on the Group's business.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE INTEGRATED SERVICES FRAMEWORK AGREEMENT

The Group will monitor the relevant costs and expenses to ensure that the pricing of the Integrated Service complies with the pricing policy set out in the Integrated Services Framework Agreement. The Company will also negotiate the terms of the relevant transactions with the VCI Group, the Livan Group and the Farizon Technology Group to ensure that the pricing appropriately reflects the level of costs incurred by the VCI Group, the Livan Group and the Farizon Technology Group in the relevant transactions. The Group will review the margins adopted in the pricing policy on an annual basis and compare them with the margins paid by the VCI Group, the Livan Group and the Farizon Technology Group for equivalent services from other suppliers to ensure that the margins adopted by the Group are not less favourable than the margins paid by the VCI Group, the Livan Group and the Farizon Technology Group for similar services from other suppliers. In addition, the Group, the VCI Group, the Livan Group and the Farizon Technology Group will review annually, or more frequently if it is determined necessary, whether an updated transfer pricing analysis report should be obtained for the purpose of determining margins. Margins will be determined by reference to the range between the lower quartile and upper quartile of the three-year weighted average cost-plus margin of the comparable companies as stated in such updated transfer pricing analysis report.

The Group will implement the following measures to ensure that the annual transaction amounts under the Integrated Services Framework Agreement will not exceed the aggregated annual caps for each of the years: the subsidiaries of the Company will record the amounts of the continuing connected transactions on a monthly basis and report the same to the finance department of the Group. The finance department of the Group will then compile statistics in respect of the amounts of the continuing connected transactions on a monthly basis and calculate the utilisation rate of the relevant annual caps. Such statistics will be submitted to the management of the Group for their review. In the event that (i) the finance department of the Group is informed by the relevant department of the Company's subsidiaries that there will be a significant increase in the transaction volume of the continuing connected transactions in a particular month, which may result in the exceeding of the relevant annual caps; or (ii) the utilisation percentage of the respective annual caps represents a substantial portion of the relevant annual cap at any time during the year, the Group will limit the supply and/or provision of the Integrated Services to ensure that the transactions under the Integrated Services Framework Agreement are conducted within the respective annual caps or commence the necessary procedures to revise the respective annual caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

In respect of the above internal control measures, the internal audit department of the Group will review the continuing connected transactions of the Company (subject to the annual review and disclosure requirements under the Listing Rules) at least annually or more frequently if determined to be necessary to ensure compliance with the relevant internal control measures and to ensure their effectiveness. The independent non-executive Directors will also review all continuing connected transactions on an annual basis and confirm that the transactions were entered into in the ordinary and usual course of business of the Group. The Company has also engaged its independent auditor to report annually on all continuing connected transactions. The independent auditor reviews and confirms whether all continuing connected transactions have been approved by the Board; whether they have been entered into in accordance with the pricing policies of the relevant agreements governing the transactions; and whether the relevant annual caps have not been exceeded.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Geely Holding, is the substantial shareholder of the Company holding approximately 40% of the Shares. As such, Geely Holding is a connected person of the Company under the Listing Rules.

As at the date of this announcement, VCI is an indirect non-wholly-owned subsidiary of Geely Holding. As such, VCI is an associate of Geely Holding and a connected person of the Company under the Listing Rules.

As at the date of this announcement, Livan Automotive is indirectly owned as to more than 30% by Mr. Li and his associate and therefore a connected person of the Company under the Listing Rules.

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

Accordingly, the Acquisition constitutes a connected transaction and the transactions under the Integrated Services Framework Agreement constitute continuing connected transactions for the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition exceeds 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the aggregated annual caps for the Integrated Services Framework Agreement exceeds 0.1% but are less than 5% for the relevant financial year, the entering into of the Integrated Services Framework Agreement and the transactions contemplated thereunder 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.

Mr. Li and Mr. Li Dong Hui, Daniel, each an executive Director, are considered to be interested in the Equity Transfer Agreement and the Integrated Services Framework Agreement by virtue of their interests and/or directorships in Geely Holding, Farizon Technology and Volvo. As a result, both Mr. Li and Mr. Li Dong Hui, Daniel have abstained from voting on the Board resolutions for approving the Equity Transfer Agreement and the Integrated Services Framework Agreement.

Mr. Gan Jia Yue, an executive Director, is considered to be interested in the Integrated Services Framework Agreement by virtue of his directorship in Livan Automotive. As a result, Mr. Gan Jia Yue has abstained from voting on the Board resolution for approving the Integrated Services Framework Agreement.

DEFINITIONS

"Acquisition"	the acquisition of the entire equity interest of Ningbo Passenger Vehicle by Zhejiang Passenger Vehicle from Geely Holding pursuant to the Equity Transfer Agreement
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"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
"CKD(s)"	all parts and components in a disassembled state that can be assembled into CBU(s)
"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
"Director(s)"	the director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement entered into between Zhejiang Passenger Vehicle and Geely Holding on 21 October 2024
"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 is ultimately owned as to more than 70% by Mr. Li and his associates as at the date of this announcement
"Farizon Technology Group"	Farizon Technology 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 is ultimately beneficially wholly-owned by Mr. Li and his associate as at the date of this announcement
"Geely Holding Group"	Geely Holding and its subsidiaries
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than Mr. Li, Mr. Li Dong Hui, Daniel, Mr. Gan Jia Yue, and their respective associates
"Integrated Services"	including processing services; value-added services; testing services; assembly services; installation services; maintenance services; modification services; upgrade services; and other services related to the conversion of CKDs into CBUs
"Integrated Services Framework Agreement"	the framework agreement entered into between the Company, VCI, Livan Automotive and Farizon Technology on 21 October 2024, pursuant to which, the Group has conditionally agreed to provide the Integrated Services to the VCI Group, the Livan Group and the Farizon Technology Group

"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 is ultimately owned as to more than 30% by Mr. Li and his associate as at the date of this announcement
"Livan Group"	Livan Automotive 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 date of this announcement
"NEV(s)"	new energy vehicle(s)
"Ningbo Passenger Vehicle"	寧波吉利乘用車製造有限公司 (Ningbo Geely Passenger Vehicle Manufacturing Co., Ltd.*), a limited liability company established in the PRC, which is a wholly-owned subsidiary of Geely Holding as at the date of this announcement
"Ningbo Passenger Vehicle Group"	Ningbo Passenger Vehicle and its subsidiaries
"percentage ratio(s)"	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
"PRC"	the People's Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"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
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Valuation Date"	30 September 2024

"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 is a wholly-owned subsidiary of Volvo as at the date of this announcement
"VCI Group"	VCI and its subsidiaries
"Volvo"	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden, which is an indirect non-wholly-owned subsidiary of Geely Holding as at the date of this announcement
"Zhejiang Passenger Vehicle"	浙江吉利乘用車有限公司 (Zhejiang Geely Passenger Vehicle Co., Ltd.*), a limited liability company established in the PRC, which is an indirect wholly-owned subsidiary of the Company
"%"	per cent

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

Hong Kong, 21 October 2024

As at the date of this announcement, 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.

* *For identification purposes only*