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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 175)

### CONNECTED TRANSACTION IN RELATION TO THE CHANGXING COMPONENTS ACQUISITION

**Financial Adviser to Geely Automobile Holdings Limited**



#### CONNECTED TRANSACTION IN RELATION TO THE CHANGXING COMPONENTS ACQUISITION

On 13 May 2021 (after trading hours), Zhejiang Jirun, an indirect 99% owned subsidiary of the Company, entered into the Changxing Components Acquisition Agreement with Changxing New Energy, which is a direct 70% owned subsidiary of Geely Holding Automobile, pursuant to which Zhejiang Jirun conditionally agreed to acquire, Changxing New Energy conditionally agreed to sell, the entire registered capital of Changxing Components, for a cash consideration of approximately RMB2,534.7 million.

#### IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Changxing New Energy is directly owned as to 70% by Geely Holding Automobile. Geely Holding Automobile is a wholly owned subsidiary of Geely Holding, which is ultimately beneficially wholly owned by Mr. Li and his associate.

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

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

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

**Completion of the Changxing Components Acquisition Agreement is subject to the satisfaction of the conditions precedent under the Changxing Components Acquisition Agreement, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **CONNECTED TRANSACTION IN RELATION TO THE CHANGXING COMPONENTS ACQUISITION**

### **Changxing Components Acquisition**

On 13 May 2021 (after trading hours), Zhejiang Jirun, an indirect 99% owned subsidiary of the Company, entered into the Changxing Components Acquisition Agreement with Changxing New Energy, which is a direct 70% owned subsidiary of Geely Holding Automobile and owned as to 30% by an Independent Third Party, pursuant to which Zhejiang Jirun conditionally agreed to acquire, Changxing New Energy conditionally agreed to sell, the entire registered capital of Changxing Components, for a cash consideration of approximately RMB2,534.7 million.

Principal terms of the Changxing Components Acquisition Agreement are set out below:

#### ***Date***

13 May 2021 (after trading hours)

#### ***Parties***

Vendor: Changxing New Energy

Purchaser: Zhejiang Jirun

Changxing New Energy is a limited company incorporated in the PRC which is directly owned as to 70% by Geely Holding Automobile and owned as to 30% by an Independent Third Party. Geely Holding Automobile is a wholly owned subsidiary of Geely Holding, which is ultimately beneficially wholly owned by Mr. Li and his associate. The business scope of Changxing New Energy includes research and development, manufacture, sales, maintenance and technical consultation on new energy automobile components. As at the date of this announcement, Changxing New Energy has no actual business operation.

Zhejiang Jirun is a limited company incorporated in the PRC and is an indirect 99% owned subsidiary of the Company. The remaining 1% interest in Zhejiang Jirun is directly held by Zhejiang Geely as at the date of this announcement. Zhejiang Jirun is principally engaged in the research, development, production, marketing and sale of vehicles and related automobile components in the PRC.

### ***Subject matter***

Pursuant to the Changxing Components Acquisition Agreement, Zhejiang Jirun conditionally agreed to acquire, and Changxing New Energy conditionally agreed to sell its 100% equity interests of Changxing Components, for a cash consideration of approximately RMB2,534.7 million. Details of Changxing Components are set out in the paragraph headed “Information on Changxing Components – Principal businesses of Changxing Components” below.

Upon completion of the Changxing Components Acquisition, Changxing Components will become a wholly owned subsidiary of Zhejiang Jirun and its financial results will be consolidated into the consolidated financial statements of the Group.

### ***Consideration***

The consideration for the Changxing Components Acquisition is approximately RMB2,534.7 million, which will be payable in cash to Changxing New Energy within three months from the date of completion of the Changxing Components Acquisition.

The consideration for the Changxing Components Acquisition was determined after arm’s length negotiations between Zhejiang Jirun and Changxing New Energy with reference to (i) the net asset value of Changxing Components prepared under the HKFRS as at 1 April 2021 of approximately RMB2,534.0 million; and (ii) the valuation premium of the Changxing Properties of approximately RMB0.7 million, being the difference between (a) the market value of Changxing Properties as at 1 April 2021 as stated in the Valuation Report of approximately RMB2,694.9 million; and (b) the carrying value of the Changxing Properties of approximately RMB2,694.2 million as at 1 April 2021.

It is expected that the consideration for the Changxing Components Acquisition will be funded by internal cash reserve of Zhejiang Jirun.

### *Undertakings in respect of the Changxing Properties*

The Changxing Properties is an industrial complex located in Huzhou City, Zhejiang Province, the PRC. According to the Valuation Report, as at 1 April 2021, the Changxing Properties comprised:

- (i) three parcels of land with a total site area of 775,806 sq.m.;
- (ii) 29 industrial and ancillary buildings with a total gross floor area of 456,525.95 sq.m., the construction of which is expected to complete in the third quarter of 2021 (the “**Changxing Construction-In-Progress**”); and
- (iii) relevant office equipment.

As at the date of this announcement, Changxing New Energy holds three real estate title certificates, one construction land planning permit, ten construction work planning permits and eight construction work commencement permits for the Changxing Properties. According to the legal opinion of the PRC legal adviser to the Company, (i) the above certificates and permits for the Changxing Properties are true, legal and valid; and (ii) the Changxing Properties are free from guarantee, pledge and encumbrances, and are not subject to seizure by the court. In light of the time it takes to transfer the relevant certificates and permits for the Changxing Properties from Changxing New Energy to Changxing Components, which is unlikely to be completed before the completion of the Changxing Components Acquisition, Changxing New Energy has undertaken to Zhejiang Jirun in the Changxing Components Acquisition Agreement that the legal titles of the Changxing Properties will be transferred to Changxing Components in accordance with the applicable laws in the PRC on or before 31 December 2025, subject to completion of the Changxing Components Acquisition.

As stated in the legal opinion of the PRC legal adviser to the Company, (i) the Changxing Construction-In-Progress is in compliance with the requirements of the relevant laws; (ii) upon the completion of the Changxing Construction-In-Progress in accordance with relevant laws and regulations, the final inspection and acceptance of construction by relevant authorities, and all the necessary filings for registration of legal titles of the Changxing Properties with the relevant authorities, there are no legal impediments to the obtaining of the title certificates for the Changxing Construction-In-Progress; and (iii) the use of the Changxing Properties for production will not be affected even before the completion of the transfer of the legal titles of the Changxing Properties to Changxing Components.

Pursuant to the Changxing Components Acquisition Agreement, subject to completion of the Changxing Components Acquisition, in the event that the obtaining and transfer of the legal titles of the Changxing Properties cannot be completed on or before 31 December 2025, Changxing New Energy shall (i) indemnify Zhejiang Jirun for the loss arising therefrom, which shall be calculated based on the then valuation of the Changxing Properties prepared by a third party valuer approved by the parties to the Changxing Components Acquisition Agreement (the “**Changxing Indemnification Amount**”), and (ii) shall pay to Zhejiang Jirun a default payment calculated based on an annual interest rate of 3.85% of the Changxing Indemnification Amount (the “**Changxing Default**

**Payment**”), which was determined after arm’s length negotiations between the parties to the Changxing Components Acquisition Agreement with reference to the prevailing annual interest rate of 3.85% on loan prime rate (within one year) offered by the People’s Bank of China. Such indemnity and default payment will be fully settled by Changxing New Energy within 30 calendar days (or such later date as the parties may agree in writing) upon the issuance of the then valuation report on the Changxing Properties prepared by the third party valuer.

In the event that the obtaining and transfer of the legal titles of the Changxing Properties cannot be completed on or before 31 December 2025, it is the intention of the parties to the Changxing Components Acquisition Agreement to appoint a third party valuer as soon as practicable to determine the then valuation of the Changxing Properties, the Changxing Indemnification Amount and the Changxing Default Payment, which will be calculated with retrospective effect since the date of completion of the Changxing Components Acquisition, and will be indemnified and fully settled by Changxing New Energy within 30 calendar days (or such later date as the parties may agree in writing) upon the issuance of the then valuation report on the Changxing Properties prepared by the third party valuer. In the event that the obtaining and transferring of the legal titles of the Changxing Properties cannot be completed on or before 31 December 2025, the Company will make further announcement to update the Shareholders on the status of the Changxing Properties as well as the actual and/or potential impact thereof on the Group.

Notwithstanding the foregoing, Changxing New Energy, being the existing holder of the real estate rights certificates and the relevant permits for the Changxing Properties, has undertaken to Zhejiang Jirun that, subject to completion of the Changxing Components Acquisition, Changxing Components can continue to occupy and use the Changxing Properties free of charge regardless of whether the obtaining of and/or transfer of the legal titles to the Changxing Properties can be completed on or before 31 December 2025 or at all. Taking into account the legal opinion of the PRC legal adviser to the Company and the undertakings by Changxing New Energy as abovementioned, the operation of Changxing Components is not expected to be adversely affected even if the obtaining of and/or transfer of the legal titles to Changxing Properties is not completed by 31 December 2025.

### ***Conditions precedent***

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

- (i) Zhejiang Jirun being satisfied with the results of its due diligence review on Changxing Components, including, but not limited to, the possession by Changxing Components of all approvals, consents and permits, and completion of all filings necessary to conduct the business operations of Changxing Components;
- (ii) the Company having made the announcement and obtained the Independent Shareholders’ relevant approval (if applicable) for the Changxing Components Acquisition Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;

- (iii) Changxing New Energy and Zhejiang Jirun have obtained their respective valid internal approval for the Changxing Components Acquisition Agreement and the transaction contemplated thereunder;
- (iv) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the Changxing Components Acquisition Agreement and the transaction contemplated thereunder, including but not limited to, the obtaining of the new business license of Changxing Components (if applicable) and the completion of registration procedures with the State Administration for Market Regulation in relation to the Changxing Components Acquisition;
- (v) the representations and warranties made by Changxing New Energy in the Changxing Components Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Changxing New Energy having performed fully its obligations under the Changxing Components Acquisition Agreement on or before completion of the Changxing Components Acquisition; and
- (vi) (a) there being no material adverse change in the existence, business and financial positions of Changxing Components; and (b) no statute, regulation, proceeding or order pertaining to Changxing Components having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the Changxing Components Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Changxing Components Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iv) above are not capable of being waived) within 90 calendar days from the date of the Changxing Components Acquisition Agreement (or such later date as the parties may agree in writing), any party to the Changxing Components Acquisition Agreement will have the right to terminate the Changxing Components Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the Changxing Components Acquisition Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the Changxing Components Acquisition Agreement will become null and void upon such termination and the Changxing Components Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

### ***Completion of the Changxing Components Acquisition***

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

## Information on Changxing Components

### *Principal businesses of Changxing Components*

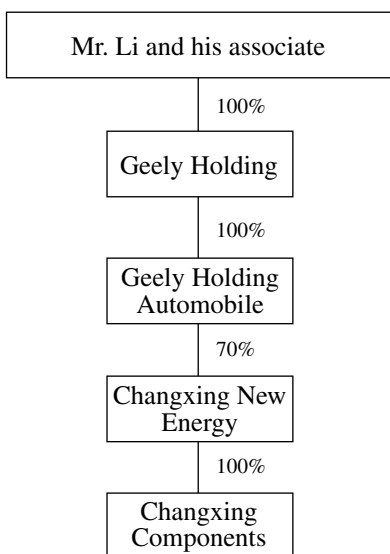
Changxing Components is a limited liability company incorporated in the PRC on 2 December 2019 and is a wholly owned subsidiary of Changxing New Energy as at the date of this announcement. Changxing New Energy is directly owned as to 70% by Geely Holding Automobile and as to 30% by an Independent Third Party as at the date of this announcement. Changxing Components is principally engaged in the research, development, production and sale of CKDs, related automobile components and provision of after-sales services.

A production facility with a planned annual production capacity of 180,000 units of CKDs per double shift of Changxing Components is currently under construction. It is currently expected that the construction of the Changxing Properties will be completed and commercial production will commence in the third quarter of 2021. The first vehicle to be produced by Changxing Components will be a new sedan model under Geely Brand.

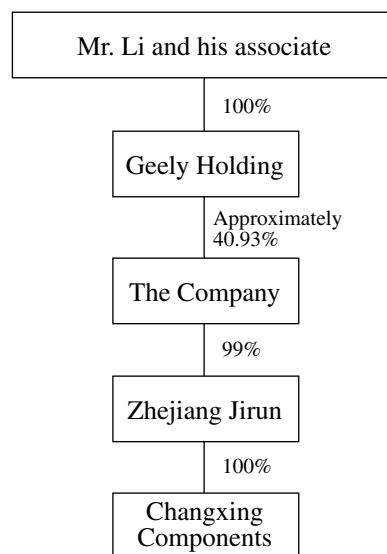
### *Shareholding structure of Changxing Components*

The following diagrams set out the shareholding structures of Changxing Components before and upon completion of the Changxing Components Acquisition:

As at the date of this announcement



Upon completion of the Changxing Components Acquisition



## Financial information of Changxing Components

Set out below is the financial information of Changxing Components for the years as indicated below prepared under the HKFRS:

	For the year ended 31 December	
	2019	2020
	<i>(Unaudited) RMB'000</i>	
Loss before taxation	–	2.1
Loss after taxation	–	2.1
	<i>(Unaudited) RMB million</i>	

Net asset value as at 1 April 2021 2,534.0

As at 1 April 2021, total assets of Changxing Components mainly comprised the Changxing Properties and intangible assets of capitalised development costs for manufacturing purposes whereas total liabilities of Changxing Components mainly comprised other payables, which primarily represented the construction costs of the Changxing Properties.

### Financial effect of the Changxing Components Acquisition

Upon completion of the Changxing Components Acquisition, Changxing Components will become a wholly owned subsidiary of Zhejiang Jirun and its financial results will be consolidated into the consolidated financial statements of the Group.

### REASONS FOR AND BENEFITS OF THE CHANGXING COMPONENTS ACQUISITION

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

As disclosed in the section headed “Information on Changxing Components”, Changxing Components is principally engaged in the research, development, production and sale of CKDs, related automobile components and provision of after-sales services.

The Changxing Components Acquisition is expected to enhance the production capabilities of the Group to manufacture a new sedan model under Geely Brand. It is currently expected that the commercial production of the Changxing Components will commence in the third quarter of 2021.

It is anticipated that after completion of the Changxing Components Acquisition and the commencement of commercial production, the new models to be built by Changxing Components will expand the Group’s products offering and enhance the overall competitive strength of the Group’s products in the market.



The Directors (including the independent non-executive Directors) consider that although the Changxing Components Acquisition Agreement is not entered into in the ordinary and usual course of business of the Group, the Changxing Components Acquisition is on normal commercial terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Changxing New Energy is directly owned as to 70% by Geely Holding Automobile. Geely Holding Automobile is a wholly owned subsidiary of Geely Holding, which is ultimately beneficially wholly owned by Mr. Li and his associate.

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

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

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

**Completion of the Changxing Components Acquisition Agreement is subject to the satisfaction of the conditions precedent under the Changxing Components Acquisition Agreement, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC

“Changxing Components”	長興吉利汽車部件有限公司 (Changxing Geely Automobile Components Company Limited*), a limited liability company incorporated in the PRC and is wholly owned by Changxing New Energy as at the date of this announcement
“Changxing Components Acquisition”	the acquisition of the entire registered capital of Changxing Components by Zhejiang Jirun from Changxing New Energy pursuant to the Changxing Components Acquisition Agreement
“Changxing Components Acquisition Agreement”	the equity transfer agreement entered into between Zhejiang Jirun and Changxing New Energy on 13 May 2021 in relation to the Changxing Components Acquisition
“Changxing New Energy”	吉利長興新能源汽車有限公司 (Geely Changxing New Energy Automobile Company Limited*), a private limited liability company incorporated in the PRC, and is directly owned as to 70% by Geely Holding Automobile and as to 30% by an Independent Third Party
“Changxing Properties”	an industrial complex located in Huzhou City, Zhejiang Province, the PRC
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Geely Brand”	an automobile brand of the Group
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately beneficially wholly owned by Mr. Li and his associate
“Geely Holding Automobile”	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a private limited liability company incorporated in the PRC, and is wholly owned by Geely Holding

“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is (or are) not a connected person of the Company, any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a Substantial Shareholder holding approximately 41.17% interests in the total issued share capital of the Company as at the date of this announcement
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Valuation Report”	the valuation report on the Changxing Properties prepared by an independent valuer
“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 and is a direct approximately 71% owned subsidiary of Geely Holding

“Zhejiang Jirun”

浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited\*), a limited liability company established in the PRC and is an indirect 99% owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 13 May 2021

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

\* *For identification purposes only*