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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to Geely Automobile Holdings Limited



Reference is made to the Continuing Connected Transactions between the Company and ZEEKR under the Existing ZEEKR Operation Services Agreement, details of which were disclosed in the announcement of the Company dated 2 July 2021.

In view of the increasing operational demand for logistic services from ZEEKR upon the completion of the Ningbo Viridi Subscription and due to the rising market demand for NEVs, the Board envisages that the Existing Operation Services Annual Caps in respect of the financial years ending 31 December 2022 and 31 December 2023 will not be sufficient. The Company therefore, on 29 March 2022, entered into the Supplemental ZEEKR Operation Services Agreement with ZEEKR, pursuant to which the parties agreed to revise and increase the Existing Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023, to the Revised Operation Services Annual Caps.

Geely Holding is a substantial shareholder of the Company and is wholly-owned by Mr. Li and his associate. As at the date of this announcement, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and is owned as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is hence a connected subsidiary of the Company and the transactions contemplated under the Existing ZEEKR Operational Services Agreement and the Supplemental ZEEKR Operation Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Revised Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023 exceed 0.1% but are less than 5%, the Revised Operation Services Annual Caps under the Supplemental ZEEKR Operation Services Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Continuing Connected Transactions between the Company and ZEEKR under the Existing ZEEKR Operation Services Agreement, details of which were disclosed in the announcement of the Company dated 2 July 2021.

In view of the increasing operational demand for logistic services from ZEEKR upon the completion of the Ningbo Viridi Subscription and due to the rising market demand for NEVs, the Board envisages that the Existing Operation Services Annual Caps in respect of the financial years ending 31 December 2022 and 31 December 2023 will not be sufficient. The Company therefore, on 29 March 2022, entered into the Supplemental ZEEKR Operation Services Agreement with ZEEKR, pursuant to which the parties agreed to revise and increase the Existing Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023, to the Revised Operation Services Annual Caps.

Principal terms of the Supplemental ZEEKR Operation Services Agreement

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

Date:

29 March 2022

Parties:

Vendor: the Company

Purchaser: ZEEKR

Subject matter

Save for the Revised Operation Services Annual Caps, other terms in the Existing ZEEKR Operation Services Agreement and the pricing basis which were disclosed in the section headed "EXEMPTED CONTINUING CONNECTED TRANSACTION – (E) ZEEKR Operation Services Agreement" in the Company's announcement dated 2 July 2021, remain unchanged.

REVISION OF ZEEKR OPERATION SERVICES ANNUAL CAPS

Set out below are the Existing Operation Services Annual Caps and the Revised Operation Services Annual Caps:

	For the financial years ending	
	31 December 2022	31 December 2023
Existing Operation Services Annual Caps	RMB116,561,000	RMB248,172,000
Historical transaction amount for the two months ended 28 February 2022	RMB92,530,000	–
<i>Utilization rate of the Existing Operation Services Annual Caps as of 28 February 2022</i>	79%	0%
Revised Operation Services Annual Caps	RMB596,553,000	RMB930,946,000

The unaudited transaction amount of operation services under the Existing ZEEKR Operation Services Agreement for the two months ended 28 February 2022 was RMB92,530,000, which was approximately 79% of the Existing Operation Services Annual Caps for the financial year ending 31 December 2022.

The Revised Operation Services Annual Caps were determined with reference to:

- 1) the projected staff costs of the Group based on the projected staff hours and hourly cost to perform functions of the IT, procurement and logistics for each of the two years ending 31 December 2023;
- 2) the estimated portion of the IT, procurement and logistic functions solely for the ZEEKR Group as compared to the Group's overall IT, procurement and logistic functions based on the amounts of relevant historical costs incurred;
- 3) the estimated costs (including but not limited to transportation, packaging and labor costs) for the transportation of each vehicle and each unit of automobile component based on historical costs for logistic services;
- 4) the revised estimated numbers of vehicle and estimated units of automobile component for which the Group will provide logistic services for each of the two years ending 31 December 2023;
- 5) the revised margin rate in relation to logistics services with reference to the 2021 Operation Services Transfer Pricing Analysis Reports prepared by an independent certified public accountant; and

- 6) the margin rate in relations the IT, logistics, supplier quality engineering services, construction management services, manufacturing engineering, procurement services and other administrative functions over the estimated costs with reference to the Operation Services Transfer Pricing Analysis Reports which are consistent with the margin rates adopted for the existing operation services under the operation services agreement dated 15 October 2021 and entered into among the Company, Geely Holding and LYNK & CO.

The aforementioned margin rates are only for the purpose of calculating the Revised Operation Services Annual Caps above and shall not be deemed as fixed for the transactions throughout the term of the Supplemental ZEEKR Operation Services Agreement. As at the date of this announcement, the transaction amount of the continuing connected transactions under the Existing ZEEKR Operation Services Agreement has not exceeded the Existing Operation Services Annual Caps. If the aforementioned Revised Operation Services Annual Caps are exceeded, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE REVISED OPERATION SERVICES ANNUAL CAPS

With regards to the rising market trend on NEVs, it is the prerequisites for industry market leader such as ZEEKR to work with company that can offer quality logistic services for both automobile and automobile components, such as pricing advantage, international service coverage, secured intelligitized services and responsible corporate behavior, in order for ZEEKR to ensure quality of production and product delivery.

As such, taking into the considerations where (i) the logistic services offered by the Group have the aforementioned advantages among comparable companies offering analogous services, and (ii) Ningbo Viridi is actively seeking a long-term logistic services provider after the completion of the Ningbo Viridi Subscription, Ningbo Viridi purchasing the logistic services from the Group can help both sides to achieve income growth and cost-effectiveness, and is then expected to utilise the Existing Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023.

The Board has been carefully monitoring the historical transacted amounts of the Continuing Connected Transactions. In view of the increasing operational demand for logistic services from ZEEKR due to the completion of the Ningbo Viridi Subscription and rising market demand for NEVs, the Board envisages that the aggregate value of the Continuing Connected Transactions will exceed the Existing Operation Services Annual Caps in respect of the financial years ending 31 December 2022 and 31 December 2023. The Board therefore proposes to revise and increase the Existing Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023, to the Revised Operation Services Annual Caps.

The Continuing Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of businesses of the Group and ZEEKR.

The Directors (including the independent non-executive Directors) take the view that the Continuing Connected Transactions are on normal commercial terms or better and the terms of the Existing ZEEKR Operation Services Agreement and the Supplemental ZEEKR Operation Services Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

INTERNAL CONTROL PROCEDURES

In terms of the operation services provided by the Group to ZEEKR Group, the finance department of the Group will compare the services provided by the Group with the existing similar 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 department of the Group will review the relevant cost items as well as other necessary and reasonable expenses incurred by the Group for the operation services performed on yearly basis (or more frequently if it is determined necessary) and ensure the existence and accuracy of such costs.

The independent non-executive Directors will review the transactions contemplated under the continuing connected transactions and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole. The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

INFORMATION REGARDING THE PARTIES

The Company

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

ZEEKR

ZEEKR is principally engaged in the research and development, purchase and sale of electric mobility related products such as intelligent electric vehicles under the ZEEKR brand and the provision of service relating thereto.

LISTING RULES IMPLICATIONS

Geely Holding is a substantial shareholder of the Company and is wholly-owned by Mr. Li and his associate. As at the date of this announcement, ZEEKR is owned as to approximately 58.31% (on an As-Converted Basis) and approximately 54.47% (on a Fully Diluted and As-Converted Basis) by the Company, and as to approximately 14.11% (on an As-Converted Basis) and approximately 13.18% (on a Fully-Diluted and As-Converted Basis) by Geely Holding. ZEEKR is hence a connected

subsidiary of the Company and the transactions contemplated under the Existing ZEEKR Operation Services Agreement and the Supplemental ZEEKR Operation Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Revised Operation Services Annual Caps for the financial years ending 31 December 2022 and 31 December 2023 exceed 0.1% but are less than 5%, the Revised Operation Services Annual Caps under the Supplemental ZEEKR Operation Services Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement 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 Supplemental ZEEKR Operation Services Agreement 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 Revised Operation Services Annual Caps under the Supplemental ZEEKR Operation Services Agreement.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings when used in this announcement:

“2021 Operation Services Transfer Pricing Analysis Reports”	the transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification on 22 September 2021 and 30 September 2021
“As-Converted Basis”	assuming all Pre-A Preferred Shares are converted into ordinary shares of ZEEKR
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Existing ZEEKR Operation Services Agreement and the Supplemental ZEEKR Operation Services Agreement (where applicable)
“Directors”	the director(s) of the Company

“Existing ZEEKR Operation Services Agreement”	the master agreement dated 2 July 2021 entered into between the Company and ZEEKR for the operation services
“Existing Operation Services Annual Caps”	the existing annual cap amounts for the financial years ending 31 December 2022 and 31 December 2023, respectively as stated in the section headed “REVISION OF ZEEKR OPERATION SERVICES ANNUAL CAPS” in this announcement
“Fully-Diluted” or “Fully-Diluted Basis”	assuming all Pre-A Preferred Shares are converted into ordinary shares of ZEEKR and 150,000,000 ordinary shares of ZEEKR reserved under ZEEKR Share Award Scheme have been fully issued
“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 Zhejiang Province, the PRC, and is beneficially wholly owned by Mr. Li and his associate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“IT”	information technology
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and owned as to 50%, 20% and 30% by Zhejiang Jirun, Geely Holding and VCI as at the date of this announcement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding approximately 42.30% interests in the total issued share capital of the Company as at the date of this announcement
“NEVs”	New energy vehicles

“Ningbo Viridi”	威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd.*), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Company and of ZEEKR
“Ningbo Viridi Subscription Agreement”	the subscription agreement dated 2 July 2021 entered into among ZEEKR, Zhejiang Jichuang and Ningbo Viridi and in relation to the Ningbo Viridi Subscription
“Ningbo Viridi Subscription”	the subscription for additional capital of Ningbo Viridi pursuant to the Ningbo Viridi Subscription Agreement
“Operation Services Transfer Pricing Analysis Reports”	the transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification as disclosed in the section headed “EXEMPTED CONTINUING CONNECTED TRANSACTIONS – (B) Operation Services Agreement – Basis of determination of the proposed annual caps” in the Company’s announcement dated 15 October 2021
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pre-A Preferred Shares”	Pre-A preferred shares of ZEEKR
“Revised Operation Services Annual Caps”	the revised annual cap amount for the financial years ending 31 December 2022 and 31 December 2023, respectively as stated in the section headed “REVISION OF ZEEKR OPERATION SERVICES ANNUAL CAPS” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Supplemental ZEEKR Operation Services Agreement”	the supplemental agreement dated 29 March 2022 entered into between the Company and ZEEKR for the Revised Operation Services Annual Caps

“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited*), a limited liability company established in the PRC and is a subsidiary of Volvo as at the date of this announcement
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and is an indirect subsidiary of Geely Holding as at the date of this announcement
“ZEEKR”	ZEEKR Intelligent Technology Holding Limited, a limited liability company established in the Cayman Islands and is an indirect subsidiary of the Company as at the date of this announcement
“ZEEKR Share Award Scheme”	the restricted share award scheme adopted on 20 August 2021 by ZEEKR and the Company, details of which are set out in the Company’s announcement dated 20 August 2021
“Zhejiang Jichuang”	浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited*), a limited liability company established in the PRC and is wholly owned by Geely Holding as at the date of this announcement
“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 as at the date of this announcement
“%”	Per cent

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

Hong Kong, 29 March 2022

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, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.

* *For identification purposes only*