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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in 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**



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

## BALLAS

C A P I T A L

A subsidiary of Crosby

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A letter from the Board is set out on pages 16 to 61 of this circular. A letter from the Independent Board Committee is set out on pages 62 to 63 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 64 to 119 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 Monday, 27 November 2023 at 4:00 p.m. is set out on pages EGM-1 to EGM-6 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.

8 November 2023

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Aurobay Technology Group”	Aurobay Technology and its subsidiaries
“Automobile Components Procurement Agreement”	the master procurement agreement dated 15 October 2021 entered into between the Company and Geely Holding for the procurement of automobile components by the Group from the Geely Holding Group
“Automobile Components Sales Agreement”	the master sales agreement dated 2 July 2021 entered into among the Company, Geely Holding and LYNK & CO for the sale of the automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) by the Group to the Geely Holding Group and the LYNK & CO Group
“Automobile Components Sales and Purchase Agreement”	the master automobile components sales and purchase 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 LYNK & CO Group; and (ii) purchase automobile components from the Geely Holding Group and the ZEEKR Group
“Automobile Sales Company”	the LYNK & CO Sales; the ZEEKR; the Geely Holding; smart Sales; and Lotus Sales
“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
“Business Day”	day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“CBU(s)”	fully functional vehicles that meet relevant corporate standards, industry requirements and regulatory requirements and can be sold directly to customers

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## DEFINITIONS

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“CBUs and CKDs Procurement Cooperation Agreement”	the master CBUs and CKDs procurement cooperation agreement dated 15 September 2023 entered into between the Company and Geely Holding for the procurement of CBUs and CKDs that are mainly used for ZEEKR brand vehicles by the Group from the Geely Holding Group
“CKD(s)”	all parts and components in a disassembled state that can be assembled into CBU(s)
“Cofiplan”	Cofiplan S.A., a wholly-owned subsidiary of BNP Paribas Group, which is principally engaged in financing activities
“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 Geely Dealers”	companies, which are controlled by the Geely Holding Group, being authorised by the Group under franchise dealer agreements to sell Geely brand vehicles to retail customers
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transactions”	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 Automobile Components Sales and Purchase Agreement; the transactions contemplated under the CBUs and CKDs Procurement Cooperation Agreement; the transactions contemplated under the R&D Services and Technology Licensing Agreement; and the transactions contemplated under the Finance Cooperation Agreements
“Director(s)”	directors of the Company, each a “Director”
“ECARX”	ECARX Holdings Inc., a public company incorporated in the Cayman Islands and the shares of which are listed on NASDAQ (stock symbol: ECX). On an as-converted basis, ECARX was ultimately and beneficially owned as to 42.55%, 0.66% and 0.96% by Mr. Li, Mr. Li Dong Hui, Daniel, and Mr. An Cong Hui, respectively, as at the Latest Practicable Date
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Continuing Connected Transactions

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## DEFINITIONS

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“Existing Automobile Components Sales and Procurement Agreements”	collectively, the Automobile Components Sales Agreement, the Automobile Components Procurement Agreement and the ZEEKR Automobile Components Procurement Agreement and the ZEEKR Supplemental Automobile Components Procurement Agreement
“Existing Finance Cooperation Agreements”	collectively, the Existing LYNK & CO Finance Cooperation Agreement, the Existing ZEEKR Finance Cooperation Agreement, the Existing Geely Holding Finance Cooperation Agreement and the Existing smart Finance Cooperation Agreement
“Existing Geely Holding Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and Geely Holding on 4 November 2020, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to retail customers to assist them with purchasing Geely brand vehicles and Geely Holding-owned brand vehicles
“Existing LYNK & CO Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and LYNK & CO Sales on 4 November 2020, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the LYNK & CO Dealers and retail customers to assist them with purchasing LYNK & CO brand vehicles
“Existing Master CKDs and Automobile Components Purchase Agreement”	the master CKDs and automobile components purchase agreement entered into between the Company and Geely Holding on 4 November 2020 for the purchase of CKDs and automobile components under the Geely brand including Vision X6 vehicle model, etc. by the Group from the Geely Holding Group
“Existing R&D Services and Technology Licensing Agreement”	the master R&D services and technology licensing agreement entered into among the Company, Geely Holding and LYNK & CO on 2 July 2021, pursuant to which the Group conditionally agreed to (i) provide R&D and related technological support services to the Geely Holding Group and the LYNK & CO Group and (ii) procure certain R&D and related technological support services from the Geely Holding Group
“Existing smart Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and smart Sales on 9 September 2022, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to retail customers to assist them with purchasing smart brand vehicles
“Existing ZEEKR Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and ZEEKR on 2 July 2021, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to retail customers to assist them with purchasing ZEEKR brand vehicles
“Farizon”	a commercial vehicle brand owned by the Geely Holding Group

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## DEFINITIONS

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“Fengsheng”	楓盛汽車科技集團有限公司 (Fengsheng Automobile Technology Group Co., Ltd.*), a limited liability company established in the PRC, which was wholly-owned by Geely Holding Automobile as at the Latest Practicable Date
“Finance Cooperation Agreements”	collectively, the LYNK & CO Finance Cooperation Agreement, the ZEEKR Finance Cooperation Agreement, the Geely Holding Finance Cooperation Agreement, the smart Finance Cooperation Agreement and the Lotus Finance Cooperation Agreement
“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 ultimately beneficially approximately 49.67% owned by Mr. Li and his associate as at the Latest Practicable Date
“Geely Changxing Group”	Geely Changxing and its subsidiaries
“Geely Group Limited”	Geely Group Limited, a limited liability company incorporated in the British Virgin Islands, which was beneficially wholly-owned by Mr. Li as at the Latest Practicable Date
“Geely Dealers”	companies that are authorised by the Group under franchise dealer agreements to sell Geely brand vehicles including the Independent Geely Dealers and the Connected Geely Dealers
“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 Automobile”	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a limited liability company established in the PRC, which was wholly-owned by Geely Holding 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 Lotus Technology Group, the Polestar Group, the JIDU Group, the LEVC Group and the smart Group
“Geely Holding Dealer(s)”	companies that are authorised by the Geely Holding Group under franchise dealer agreements to sell Geely Holding-owned brand vehicles
“Geely Holding Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and Geely Holding on 15 September 2023, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers

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## DEFINITIONS

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“Geely Holding Group”	Geely Holding and its subsidiaries
“Geely Holding-owned brand vehicles”	vehicles of automobile brands of the Geely Holding Group excluding Volvo brand vehicles for the purpose of this circular
“Geely Holding Retail Annual Cap(s)”	the proposed annual cap(s) for the Geely Holding Retail Financing business for each of the financial years ending 31 December 2024, 2025 and 2026
“Geely Holding Retail Financing”	the provision of vehicle financing and other financing services by Genius AFC to 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
“Geely Holding Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and retail customers setting out the terms of the financing to be provided by Genius AFC to retail customers for purchasing Geely Holding-owned brand vehicles, auto accessories or services
“Geely Holding Wholesale Annual Cap(s)”	the proposed annual cap(s) for the Geely Holding Wholesale Financing Business for each of the financial years ending 31 December 2024, 2025 and 2026
“Geely Holding Wholesale Financing”	the provision of vehicle financing and other financing services by Genius AFC to the relevant Wholesale Customers to assist them with purchasing Geely Holding-owned brand vehicles, auto accessories and services
“Geely Holding Wholesale Financing Business”	the provision of the Geely Holding Wholesale Financing by Genius AFC
“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 Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and retail customers setting out the terms of the financing to be provided by Genius AFC to retail customers for purchasing Geely brand vehicles, auto accessories or services
“Geely Retail Financing Cooperation Agreements”	the retail financing cooperation agreements to be entered into between Genius AFC and the Connected Geely Dealers, pursuant to which such dealers shall recommend their retail customers to use Genius AFC for obtaining vehicle financing to finance their purchase of Geely brand vehicles, auto accessories and services

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## DEFINITIONS

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“Geely Wholesale Facility Agreements”	the financing agreements to be entered into between Genius AFC and the relevant Wholesale Customers setting out the terms of the financing to be provided by Genius AFC to the relevant Wholesale Customers to finance their purchase of Geely brand vehicles, auto accessories and services
“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 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 Geely Dealers”	companies, which are independent from the Company and its connected persons, being authorised by the Group under franchise dealer agreements to sell Geely brand vehicles to retail customers
“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 maybe), 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
“JIDU”	JIDU Auto Inc. (集度汽車公司*), a company incorporated in the Cayman Islands and was owned as to 39.4% by Geely Holding, which was ultimately beneficially wholly-owned by Mr. Li and his associate as at the Latest Practicable Date



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## DEFINITIONS

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“JIDU Group”	JIDU and its subsidiaries
“JV Company”	a private company to be incorporated in England and Wales, which is limited by shares and will be owned as to 33% by the Company, 17% by Geely Holding and 50% by Renault S.A.S.
“Latest Practicable Date”	2 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“LEVC”	浙江翼真新能源汽车有限公司 (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
“Lifan Technology”	力帆科技(集团)股份有限公司 (Lifan Technology (Group) Co., Ltd.*), a company limited by shares established in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601777)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lotus Dealers”	companies that are authorised by Lotus Group under franchise dealer agreements to sell Lotus brand vehicles to retail customers
“Lotus Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and Lotus Sales on 15 September 2023, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers
“Lotus Group”	Lotus Sales and its subsidiaries as well as the Lotus Technology Group
“Lotus Retail Annual Cap(s)”	the proposed annual cap(s) for the Lotus Retail Financing business for each of the financial years ending 31 December 2024, 2025 and 2026
“Lotus Retail Financing”	the provision of vehicle financing and other financing services by Genius AFC to retail customers to assist them with purchasing Lotus brand vehicles, auto accessories and services
“Lotus Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and retail customers setting out the terms of the financing to be provided by Genius AFC to retail customers for purchasing Lotus brand vehicles, auto accessories or services

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## DEFINITIONS

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“Lotus Sales”	武漢路特斯汽車銷售有限公司 (Wuhan Lotus Automobile Sales 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”	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
“Lotus Wholesale Annual Cap(s)”	the proposed annual cap(s) for the Lotus Wholesale Financing Business for each of the financial years ending 31 December 2024, 2025 and 2026
“Lotus Wholesale Facility Agreements”	the financing agreements to be entered into between Genius AFC and the relevant Wholesale Customers setting out the terms of the financing to be provided by Genius AFC to such Wholesale Customers for purchasing Lotus brand vehicles, auto accessories and services
“Lotus Wholesale Financing”	the provision of vehicle financing and other financing services by Genius AFC to the relevant Wholesale Customers to assist them with purchasing Lotus brand vehicles, auto accessories and services
“Lotus Wholesale Financing Business”	the provision of the Lotus Wholesale Financing by Genius AFC
“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, which was owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding and VCI as at the Latest Practicable Date
“LYNK & CO Dealers”	companies that are authorised by LYNK & CO Sales under franchise dealer agreements to sell LYNK & CO brand vehicles to retail customers
“LYNK & CO Group”	LYNK & CO and its subsidiaries
“LYNK & CO Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and LYNK & CO Sales on 15 September 2023, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers
“LYNK & CO Retail Annual Cap(s)”	the proposed annual cap(s) for the LYNK & CO Retail Financing business for each of the financial years ending 31 December 2024, 2025 and 2026

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## DEFINITIONS

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“LYNK & CO Retail Financing”	the provision of vehicle financing and other financing services by Genius AFC to the LYNK & CO retail customers to assist them with purchasing LYNK & CO brand vehicles, auto accessories and services
“LYNK & CO Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and LYNK & CO retail customers setting out the terms of the financing to be provided by Genius AFC to LYNK & CO retail customers for purchasing LYNK & CO brand vehicles, auto accessories and services
“LYNK & CO Sales”	領克汽車銷售有限公司 (LYNK & CO Automobile Sales Co., Ltd.*), a limited liability company established in the PRC, which was a wholly-owned subsidiary of LYNK & CO as at the Latest Practicable Date
“LYNK & CO Wholesale Annual Cap(s)”	the proposed annual cap(s) for the LYNK & CO Wholesale Financing Business for each of the financial years ending 31 December 2024, 2025 and 2026
“LYNK & CO Wholesale Facility Agreements”	the financing agreements to be entered into between Genius AFC and the relevant Wholesale Customers setting out the terms of the financing to be provided by Genius AFC to such Wholesale Customers for purchasing LYNK & CO brand vehicles, auto accessories and services
“LYNK & CO Wholesale Financing”	the provision of vehicle financing and other financing services by Genius AFC to the relevant Wholesale Customers to assist them with purchasing LYNK & CO brand vehicles, auto accessories and services
“LYNK & CO Wholesale Financing Business”	the provision of the LYNK & CO Wholesale Financing by Genius AFC
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding approximately 42.12% of the total issued share capital of the Company as at the Latest Practicable Date
“NAFR”	National Administration of Financial Regulation, which has been newly formed on the basis of China Banking and Insurance Regulatory Commission
“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

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## DEFINITIONS

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“PBOC”	the People’s Bank of China
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“Polestar AB”	Polestar Performance AB, a limited liability company incorporated in Sweden, which was indirectly owned as to 39.61% by Geely Holding and was indirectly owned as to 39.3% by Mr. Li as at the Latest Practicable Date
“Polestar China”	極星汽車銷售有限公司 (Polestar Automotive China Distribution Co., Ltd.*), a limited liability company established in the PRC, which was indirectly owned as to 39.61% by Geely Holding and is indirectly owned as to 39.3% by Mr. Li as at the Latest Practicable Date
“Polestar Group”	Polestar AB and its subsidiaries as well as Polestar China and its subsidiaries
“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 21.29% by Geely Group Limited as at the Latest Practicable Date
“R&D”	research and development
“R&D Services and Technology Licensing Agreement”	the master R&D services and technology licensing agreement entered into among the Company, Geely Holding, LYNK & CO, ZEEKR, Lotus Technology, Polestar AB, Polestar China, JIDU, LEVC and smart on 15 September 2023, pursuant to which (i) the Group conditionally agreed to provide to the Geely Holding and Related Party Groups the R&D and related technological support services, including the R&D for automobiles and key automobile auto parts, technical verification and testing, technical consultation services, technical support services, technology licensing, etc.; and (ii) the Group conditionally agreed to procure from the Geely Holding Group and 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, technology licensing, etc.

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## DEFINITIONS

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“Retail Customer(s)”	retail customers for purchasing the LYNK & CO brand vehicles, ZEEKR brand vehicles, Geely brand vehicles, Geely Holding-owned brand vehicles, smart brand vehicles and/or Lotus brand vehicles
“Retail Financing”	the LYNK & CO Retail Financing; the ZEEKR Retail Financing; the Geely Holding Retail Financing; the smart Retail Financing; and the Lotus Retail Financing
“Retail Financing Cooperation Agreement(s)”	the agreements entered into among Genius AFC with the relevant dealers or other sellers (as the case maybe), pursuant to which the relevant dealers or other sellers shall recommend their retail customers to use Genius AFC for obtaining vehicle financing to finance their purchase of the relevant brand of vehicles, auto accessories and services
“Retail Financing Business”	the business of the LYNK & CO Retail Financing; the ZEEKR Retail Financing; the Geely Holding Retail Financing; the smart Retail Financing; and the Lotus Retail Financing
“Retail Individual Financing Agreement(s)”	the LYNK & CO Retail Financing Agreement(s); the ZEEKR Retail Financing Agreement(s); the Geely Holding Retail Financing Agreement(s); the Geely Retail Financing Agreement(s); the smart Retail Financing Agreement(s); and the Lotus Retail Financing Agreement(s)
“RMB”	Renminbi, the lawful currency of the PRC
“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 ultimately owned as to 50% by Mr. Li and his associates and owned as to 50% by an independent third party, respectively as at the Latest Practicable Date
“smart Dealers”	companies that are authorised by smart Sales under franchise dealer agreements to sell smart brand vehicles to retail customers

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## DEFINITIONS

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“smart Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and smart Sales on 15 September 2023, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers
“smart Group”	smart together with its subsidiaries
“smart Retail Annual Cap(s)”	the proposed annual cap(s) for the smart Retail Financing business for each of the financial years ending 31 December 2024, 2025 and 2026
“smart Retail Financing”	the provision of vehicle financing and other financing services by Genius AFC to the smart retail customers to assist them with purchasing smart brand vehicles, auto accessories and services
“smart Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and retail customers setting out the terms of the financing to be provided by Genius AFC to retail customers for purchasing smart brand vehicles, auto accessories and services
“smart Sales”	精靈汽車銷售(南寧)有限公司 (smart Automobile Sales (Nanning) Co., Ltd.*), a limited liability company established in the PRC, which was a wholly-owned subsidiary of smart as at the Latest Practicable Date
“smart Wholesale Annual Cap(s)”	the proposed annual cap(s) for the smart Wholesale Financing Business for each of the financial years ending 31 December 2024, 2025 and 2026
“smart Wholesale Facility Agreements”	the financing agreements to be entered into between Genius AFC and the relevant Wholesale Customers setting out the terms of the financing to be provided by Genius AFC to such Wholesale Customers for purchasing smart brand vehicles, auto accessories and services
“smart Wholesale Financing”	the provision of vehicle financing and other financing services by Genius AFC to the relevant Wholesale Customers to assist them with purchasing smart brand vehicles, auto accessories and services
“smart Wholesale Financing Business”	the provision of the smart Wholesale Financing by Genius AFC
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Master CKDs and Automobile Components Purchase Agreement”	the supplemental master agreement dated 15 October 2021 entered into between the Company and Geely Holding, pursuant to which the parties agreed to increase the annual caps under the Existing Master CKDs and Automobile Components Purchase Agreement

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## DEFINITIONS

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“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
“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
“Wholesale Customer(s)”	including but not limited to the LYNK & CO Dealer(s); the ZEEKR Dealer(s); the Geely Holding Dealer(s); the Connected Geely Dealer(s); the smart Dealer(s); the Lotus Dealer(s); after-sales service providers; and other sellers
“Wholesale Facility Agreements”	the LYNK & CO Wholesale Facility Agreements; the ZEEKR Wholesale Facility Agreements; the Geely Holding Wholesale Facility Agreements; the Geely Wholesale Facility Agreements; the smart Wholesale Facility Agreements; and the Lotus Wholesale Facility Agreements
“Wholesale Financing”	the LYNK & CO Wholesale Financing; the ZEEKR Wholesale Financing; the Geely Holding Wholesale Financing; the smart Wholesale Financing; and the Lotus Wholesale Financing
“Wholesale Financing Business”	the LYNK & CO Wholesale Financing Business; the ZEEKR Wholesale Financing Business; the Geely Holding Wholesale Financing Business; the smart Wholesale Financing Business; and the Lotus Wholesale Financing Business
“ZEEKR”	ZEEKR Intelligent Technology Holding Limited, a limited liability company incorporated in the Cayman Islands, which was an indirect subsidiary of the Company as at the Latest Practicable Date
“ZEEKR Automobile Components Procurement Agreement”	the automobile components procurement agreement entered into between the Company and ZEEKR on 2 July 2021 for the procurement of the automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) by the Group from the ZEEKR Group
“ZEEKR Dealers”	companies that are authorised by ZEEKR Group under franchise dealer agreements to sell ZEEKR brand vehicles to retail customers
“ZEEKR Finance Cooperation Agreement”	the finance cooperation agreement entered into between Genius AFC and ZEEKR on 15 September 2023, pursuant to which Genius AFC conditionally agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers

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## DEFINITIONS

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“ZEEKR Group”	ZEEKR together with its subsidiaries
“ZEEKR Retail Annual Cap(s)”	the proposed annual cap(s) for the ZEEKR Retail Financing business for each of the financial years ending 31 December 2024, 2025 and 2026
“ZEEKR Retail Financing”	the provision of vehicle financing and other financing services by Genius AFC to retail customers to assist them with purchasing ZEEKR brand vehicles, auto accessories and services
“ZEEKR Retail Financing Agreement(s)”	the financing agreement(s) to be entered into between Genius AFC and retail customers setting out the terms of the financing to be provided by Genius AFC to retail customers for purchasing ZEEKR brand vehicles, auto accessories and services
“ZEEKR Supplemental Automobile Components Procurement Agreement”	the supplemental agreement to the ZEEKR Automobile Components Procurement Agreement entered into between the Company and ZEEKR dated 9 September 2022 for the revised automobile components procurement annual caps
“ZEEKR Wholesale Annual Cap(s)”	the proposed annual cap(s) for the ZEEKR Wholesale Financing Business for each of the financial years ending 31 December 2024, 2025 and 2026
“ZEEKR Wholesale Facility Agreements”	the financing agreements to be entered into between Genius AFC and the relevant Wholesale Customers setting out the terms of the financing to be provided by Genius AFC to such Wholesale Customers for their purchase of ZEEKR brand vehicles, auto accessories and services
“ZEEKR Wholesale Financing”	the provision of vehicle financing and other financing services by Genius AFC to the relevant Wholesale Customers to assist them with purchasing ZEEKR brand vehicles, auto accessories and services
“ZEEKR Wholesale Financing Business”	the provision of the ZEEKR Wholesale Financing by Genius AFC
“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 72.40% owned by Geely Holding 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



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## DEFINITIONS

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“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.*

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LETTER FROM THE BOARD

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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 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*)  
Mr. An Cong Hui  
Mr. Ang Siu Lun, Lawrence  
Ms. Wei Mei  
Mr. Gan Jia Yue

*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

8 November 2023

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 15 September 2023 in relation to the Continuing Connected Transactions.

The purpose of this circular is to provide you with information, among other things, (i) further information of 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.

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS

#### (A) Automobile Components Sales and Purchase Agreement

References are made to (i) the Company's announcement dated 2 July 2021 in relation to the Automobile Components Sales Agreement; (ii) the Company's announcement dated 15 October 2021 in relation to the Automobile Components Procurement Agreement; and (iii) the Company's announcements dated 2 July 2021 and 9 September 2022 in relation to the ZEEKR Automobile Components Procurement Agreement and the ZEEKR Supplemental Automobile Components Procurement Agreement, respectively.

In light of (i) the annual cap under the Automobile Components Procurement Agreement for the year ending 31 December 2023 is expected to be exceeded due to the increase in demand for Geely brand vehicles; and (ii) upcoming expiry of the existing master agreements in relation to the sales and purchase of automobile components, on 15 September 2023 (after trading hours), the Company, Geely Holding, LYNK & CO and ZEEKR 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 from the effective date of the agreement to 31 December 2024.

#### *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 and the LYNK & CO Group; and (ii) purchase automobile components for mainly use in Geely brand vehicles, smart brand vehicles from the Geely Holding Group and the ZEEKR 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, whereas the battery products to be purchased by the Group will be mainly used in Geely brand vehicles and smart brand vehicles.

The sales and purchase of automobile components by the Group, the Geely Holding Group, the LYNK & CO Group and the ZEEKR 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.

#### *Term*

The Automobile Components Sales and Purchase Agreement has a term from the effective date of the agreement to 31 December 2024.

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## LETTER FROM THE BOARD

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### *Payment terms*

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

Taking into consideration the (i) the credit period under the Automobile Components Sales and Purchase Agreement is within the range of credit period offered to the Group by the independent third party suppliers; and (ii) the overdue interest rate is calculated based on the loan interest rate of the PBOC over the same period, the Board is of the view that the payment terms are fair and 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 2023 (or such later date as the parties may agree in writing), the Automobile Components Sales and Purchase Agreement will lapse and all the obligations and liabilities of the parties under the agreement will cease and terminate.

### *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 and the LYNK & CO Group, the selling price of the automobile components will be determined with reference to the prevailing market price of similar products.

For the purchase of automobile components by the Group where such automobile components are procured by the Geely Holding Group or the ZEEKR Group from other suppliers for onward selling to the Group, the selling price will be based on the actual costs incurred by the Geely Holding Group or the ZEEKR Group in procuring such automobile components. For automobile components that are manufactured by the Geely Holding Group or the ZEEKR 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 is within the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the 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 institution with the same qualification. The Components Pricing Analysis Report is prepared solely for an internal reference by the parties to the Automobile Components Sales and Purchase Agreement. According to the Components Pricing Analysis Report, the lower quartile and upper quartile of the three-year weighted average cost-plus-margin fall within

## LETTER FROM THE BOARD

the range of cost-plus-margin of 24 comparable companies identified in the Components Pricing Analysis Report. As advised by an internationally renowned independent certified public accountant, it is in line with the industry norm to determine the cost-plus-margin with reference to the lower quartile and upper quartile of the weighted average cost-plus-margin of the comparable companies. The margin rate will be revised and adjusted on an annual or as-needed basis by the relevant parties taking into account the fact that the margin rate of comparable companies may change over time.

### *Historical transaction amounts and proposed annual caps*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for sales and purchase of automobile components under each of the Automobile Components Sales Agreement, the Automobile Components Procurement Agreement and the ZEEKR Automobile Components Procurement Agreement for the three years ending 31 December 2023.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of automobile components by the Group under the Automobile Components Sales Agreement	642.0	11,011.6	7,582.2	1,398.2	13,750.9	24,644.7
Utilisation rate of annual caps				45.9%	80.1%	30.8% <i>(Note)</i>
Procurement of automobile components by the Group under the Automobile Components Procurement Agreement	868.7	4,575.6	3,141.1	33,591.6	6,779.3	7,930.1
Utilisation rate of annual caps				2.6%	67.5%	39.6% <i>(Note)</i>
Procurement of automobile components under the ZEEKR Automobile Components Procurement Agreement	328.9	1,910.9	1,287.7	628.1	3,749.4	3,941.6
Utilisation rate of annual caps				52.4%	51.0%	32.7% <i>(Note)</i>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Board confirmed that the actual transaction amounts for (i) the sale of automobile components under the Automobile Components Sales Agreement, (ii) the procurement of automobile components under the Automobile Components Procurement Agreement, and (iii) the procurement of automobile components under the ZEEKR Automobile Components Procurement Agreement, have not exceeded their respective annual caps for the year ending 31 December 2023.

The relatively low utilisation rate of the annual cap for the sale of automobile components by the Group to the Geely Holding Group under the Automobile Components Sales Agreement in 2021 was due to the fact that the term of the agreement only commenced in the second half of 2021. The utilisation rate ramped up in 2022 but decreased to a lower level for the six months ended 30 June 2023 due to lower-than-expected sales volume in the first half of 2023.

The relatively low utilisation rate of the annual cap for the purchase of automobile components by the Group under the Automobile Components Procurement Agreement in 2021 when compared with 2022 was due to the Group purchasing most of the automobile parts and components under such agreement from independent third party suppliers in 2021.

### ***Proposed annual caps***

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 two years ending 31 December 2024.

	<b>Proposed annual caps for the year ending 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>
Sale of automobile components by the Group	14,874.1	17,645.2
Purchase of automobile components by the Group	17,691.2	38,358.6

### ***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 and the LYNK & CO Group were determined with reference to (i) the projected units of each model of automobile components for use in the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the Geely Holding-owned brand vehicles for the two years ending 31 December 2024, which indicate an increase in the total projected unit sales of automobile components, exceeding 20% on a year-on-year basis in 2024; (ii) the projected unit sales of the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the Geely Holding-owned brand vehicles that are manufactured with the aforesaid automobile components for the two years ending 31 December 2024, which is based on the sales plans determined by the Group and the Geely Holding Group, respectively; and (iii) the estimated unit selling price for each type of automobile components that are determined with

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## LETTER FROM THE BOARD

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reference to the historical price and/or the prevailing market price of similar products for the two years ending 31 December 2024, which is expected to experience a slight decrease of no more than 10% on a year-on-year basis in 2024.

The proposed annual caps for the purchase of automobile components by the Group from the Geely Holding Group and the ZEEKR Group were determined with reference to (i) the projected number of units for each type of automobile components for use in the Geely brand vehicles, and the smart brand vehicles, which represent a significant increase in the projected purchase volume of automobile components, exceeding 100% on a year-on-year basis in 2024; (ii) the projected purchase price for each type of automobile components determined with reference to the prevailing market price or the estimated cost of such automobile components if market prices are not available. Such projected purchase price is expected to decrease by no more than 10% on a year-on-year basis; and (iii) the margin rate which is within the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies as stated in the Components Pricing Analysis Report prepared by an independent certified public accountant or institution with the same qualification 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 two years ending 31 December 2024 as compared with the historical transaction amount for the year ended 31 December 2022 and the approved annual cap for the year ending 31 December 2023 is due to the expected increase in demand for automobile components such as batteries and components for charging station for use in the Geely brand vehicles. The estimated purchase volume of automobile components by the Group under the Automobile Components Sales and Purchase Agreement is expected to increase by more than 40% in 2023 compared with the historical purchase volume in 2022. The significant increase is primarily attributed to the higher purchase volume of automobile components, particularly for electric vehicles and electric batteries, which is expected to grow by more than 100% in 2023. Furthermore, in 2024, the estimated purchase volume of automobile components is set to surge by more than 70%, in comparison with the estimated purchase volume in 2023. The growth is a result of the continuing increase in the purchase volume of automobile components relating to electric vehicles and electric batteries, with a projected year-on-year increase of more than 100% in 2024. This significant rise is attributed to the transformation strategy adopted by the Group towards new energy.

The estimated sales volume of automobile components for the Group under the Automobile Components Sales and Purchase Agreement is set to grow by more than 30% in 2023 compared with the historical sales volume in 2022. Moreover, the estimated sales volumes are expected to continue their upward trend, with a further increase of more than 20% projected for 2024 compared with the estimated sales volume in 2023. The decrease in the proposed annual caps for the sale of automobile components by the Group for the two years ending 31 December 2024 as compared with the approved annual cap for the year ending 31 December 2023 is due to the lower demand for automobile components to be used by the Geely Holding Group.

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## LETTER FROM THE BOARD

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Considering the above basis of determining the proposed annual caps for the sales and purchase of automobile components by the Group, along with the analysis of the increase in the proposed annual caps, the Directors are of the view that the proposed annual caps under the Automobile Components Sales and Purchase Agreement for the two years ending 31 December 2024 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 Automobile Components Sales and Purchase Agreement*

Prior to entering into the Automobile Components Sales and Purchase Agreement, the Group had continuing connected transactions with the Geely Holding Group, the LYNK & CO Group and the ZEEKR Group in respect of (i) the sales of automobile components by the Group for the onward assembling of the ZEEKR brand vehicles and the LYNK & CO brand vehicles pursuant to the Automobile Components Sales Agreement; and (ii) the procurement of automobile components by the Group for mainly use in the Geely brand vehicles and the smart brand vehicles under the Automobile Components Procurement Agreement and the ZEEKR Automobile Components Procurement 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 longstanding relationships with the Geely Holding Group, the LYNK & CO Group and the ZEEKR Group. Furthermore, procurement from the Geely Holding Group and the ZEEKR Group would enable the Group to benefit from lower procurement costs and enhance the procurement efficiency by shifting from purchasing from multiple suppliers, thereby reducing administrative expenses. The Automobile Components Sales and Purchase Agreement will facilitate the manufacturing of the Geely brand vehicles, the ZEEKR brand vehicles and the LYNK & CO brand vehicles.

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.



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## LETTER FROM THE BOARD

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### *Internal Control Measures in relation to Pricing for Automobile Components Sales and Purchase Agreement*

For the sale of automobile components to the Geely Holding Group and the LYNK & CO 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.

For the purchase of automobile components from the Geely Holding Group and the ZEEKR Group (collectively, 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) will 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 a quarterly 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 of respective years: the subsidiaries of the Company will record and report the continuing connected transaction amounts to the finance manager of the Group’s finance department (the “**Finance Department**”) monthly. The finance manager of the Finance Department will then compile 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 subsidiaries of the Company that there is a significant increase in the transaction volume of continuing connected transactions in a particular month which 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 purchase and/or the sales volume of the 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 forgoing, the Board (including the independent non-executive Directors) is 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 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

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## LETTER FROM THE BOARD

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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) CBUs and CKDs Procurement Cooperation Agreement**

References are made to the Company's announcements dated 4 November 2020 and 15 October 2021 in relation to the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement, respectively, all of which will expire on 31 December 2023.

In light of the upcoming expiry of the aforesaid agreements, on 15 September 2023 (after trading hours), the Company and Geely Holding entered into the CBUs and CKDs Procurement Cooperation Agreement.

#### ***Subject matter***

Pursuant to the CBUs and CKDs Procurement Cooperation Agreement, the Group conditionally agreed to purchase the CBUs and CKDs that are mainly used for ZEEKR brand vehicles from the Geely Holding Group. The Geely Holding Group is designated by the Group as a partner in manufacturing of the CBUs and CKDs, mainly under the ZEEKR brand.

The purchase of CBUs and CKDs by the Group under the CBUs and CKDs Procurement Cooperation Agreement 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 Company than terms available from (as applicable) the independent third parties.

#### ***Term***

The CBUs and CKDs Procurement Cooperation Agreement has a term of three years from 1 January 2024 to 31 December 2026.

#### ***Payment terms***

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

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## LETTER FROM THE BOARD

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

### *Condition precedent to the CBUs and CKDs Procurement Cooperation Agreement*

The CBUs and CKDs Procurement Cooperation 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 2023 (or such later date as the parties may agree in writing), the CBUs and CKDs Procurement Cooperation Agreement will lapse and all the obligations and liabilities of the parties under the agreement will cease and terminate.

### *Pricing basis*

Pursuant to the CBUs and CKDs Procurement Cooperation Agreement, the CBUs and CKDs will be sold to the Group at prices calculated on a cost-plus basis according to the actual costs of manufacturing the products by the Geely Holding Group plus an agreed margin rate.

The CBUs refer to fully functional vehicles that meet relevant corporate standards, industry requirements and regulatory requirements and can be sold directly to customers. On the other hand, CKDs refer to all parts and components in a disassembled state that can be assembled into CBUs. Both CBUs and CKDs follow a consistent pricing policy because of their similar nature.

The margin rate will be determined by the Company and Geely Holding after arm's length negotiation with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of comparable companies as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. According to the transfer pricing analysis report issued on 31 July 2023 (the "**Purchase Pricing Analysis Report**"), the lower quartile and upper quartile of the three-year weighted average cost-plus-margin fall within the range of cost-plus-margin of 14 comparable companies identified for raw materials and six comparable companies identified for other operating expenses, as stated in the Purchase Pricing Analysis Report. The Purchase Pricing Analysis Report is prepared solely for an internal reference by the parties to the CBUs and CKDs Procurement Cooperation Agreement. As advised by an internationally renowned independent certified public accountant, it is in line with the industry norm to determine the cost-plus-margin with reference to the lower quartile and upper quartile of the weighted average cost-plus-margin of the comparable companies.

Having considered the pricing basis with reference to the Purchase Pricing Analysis Report, the Directors consider that the pricing basis under the CBUs and CKDs Procurement Cooperation Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### *Historical transaction amounts and proposed CBUs and CKDs procurement annual caps*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the purchase of CKDs and automobile components by the Group from the Geely Holding Group under the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement for the three years ending 31 December 2023.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of CKDs and automobile components from the Geely Holding Group by the Group	4,173.8	36,046.9	17,435.7	13,042.1	44,855.6	58,836.5
Utilisation rate of annual caps				32.0%	80.4%	29.6% <i>(Note)</i>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The low utilisation rate of the annual cap under the Existing Master CKDs and Automobile Components Purchase Agreement in 2021 was due to the relatively low production volume of the ZEEKR brand vehicles as it had just commenced production in the same year. The utilisation rates achieved relatively higher levels in 2022 and 2023 due to the increased production volume of the ZEEKR brand vehicles and other Geely brand vehicles.

The table below sets out the proposed annual caps for the purchase of CBUs and CKDs under the CBUs and CKDs Procurement Cooperation Agreement for each of the three years ending 31 December 2026.

	Proposed annual cap for the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of CBUs and CKDs by the Group from the Geely Holding Group	70,380.0	116,082.7	154,897.7

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## LETTER FROM THE BOARD

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The proposed annual cap increase for the purchase of CBUs and CKDs in 2024 as compared with the annualized historical transaction amount for the six months ended 30 June 2023 is primarily attributed to the expected significant increase in purchase volume. Such increase represents a growth of over 114% in 2024 compared with the estimated total purchase volume in 2023.

The significant increase in the proposed annual cap for the purchase of CBUs and CKDs in 2025 is due to the expected increase in purchase of the CBUs and CKDs under the ZEEKR brand as a result of the surge in demand for new models that are expected to be launched in 2025. The proposed annual cap for the purchase of CBUs and CKDs will continue to increase in 2026 is due to the expected increase in sale volume of the ZEEKR brand vehicles. The estimated purchase volume of CBUs and CKDs by the Group under the CBUs and CKDs Procurement Cooperation Agreement is set to increase by more than 60% in 2025 and is projected to experience a further increase of approximately 30% in 2026, following a year-on-year basis.

### *Basis of determination of the proposed annual caps*

The proposed annual caps for the purchase of CBUs and CKDs by the Group from the Geely Holding Group were determined with reference to: (i) the estimated number of units of CBUs and CKDs in relation to the existing and new vehicle models under the ZEEKR brand, representing a year-on-year increase of more than 30% in both 2025 and 2026. These estimates are based on the projected unit sales of these vehicles determined by the management of the Group for the three years ending 31 December 2026 after taking into consideration the strong market demand for the ZEEKR brand vehicles and the expected introduction of new vehicle models in the coming years; (ii) the estimated costs of manufacturing CBUs and CKDs by the Geely Holding Group in relation to the existing and expected new vehicle models under the ZEEKR brand for the three years ending 31 December 2026, which are expected to decrease by less than 5% in both 2025 and 2026. The reduction is attributed to the economic scale achieved through increased production volume; and (iii) the margin rates calculated on top of the cost of raw materials and other operating expenses, respectively with reference to the lower quartile and upper quartile of three-year weighted average of cost-plus-margin of the comparable companies as stated in the Purchase Pricing Analysis Report. Such margin rates are only for the purpose of calculating the proposed annual caps and should not be regarded as fixed rates for the transactions throughout the term of the CBUs and CKDs Procurement Cooperation Agreement.

Considering the above basis of determining the proposed annual caps for the purchase of CBUs and CKDs by the Group, along with the analysis of the increase in the proposed annual caps, the Directors are of the view that the proposed annual caps under the CBUs and CKDs Procurement Cooperation 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 FOR AND BENEFITS OF ENTERING INTO THE CBUs and CKDs PROCUREMENT COOPERATION AGREEMENT**

LR14A.69(1)

Pursuant to the CBUs and CKDs Procurement Cooperation Agreement, the Group will acquire the CBUs and CKDs from the Geely Holding Group, which will be manufactured by the Geely Holding Group, based on the instructions given by the Group. Such CBUs and CKDs are mainly under the ZEEKR brand. Since

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## LETTER FROM THE BOARD

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ZEEKR adopts an asset-light operational model and does not own the automobile catalog to manufacture automobiles in the PRC, the Group's strategy involves direct purchasing of CBUs and CKDs from the Geely Holding Group. This approach ensures a stable supply of the ZEEKR brand vehicles.

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 CBUs and CKDs Procurement Cooperation Agreement and the transactions contemplated thereunder.

Having considered the foregoing, the Board (including the independent non-executive Directors) is of the view that the CBUs and CKDs Procurement Cooperation 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 under the CBUs and CKDs Procurement Cooperation 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 CBUs and CKDs PROCUREMENT COOPERATION AGREEMENT**

The Group will monitor the relevant costs and expenses to ensure that the purchase price of the CBUs and CKDs will follow the pricing policy as set out in the CBUs and CKDs Procurement Cooperation Agreement. The Company will also negotiate the terms of such transactions with Geely Holding, to ensure the purchase price properly reflect the actual costs incurred by Geely Holding in such transactions. The Company and Geely Holding will review 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) to determine whether an updated transfer pricing analysis report should be obtained for the determination of the margin rate. The margin rate will be determined with reference to 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 CBUs and CKDs Procurement Cooperation 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 subsidiaries of the Company that there will be 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 purchase volume of the CBUs and CKDs to ensure that the respective annual caps under the CBUs and CKDs Procurement Cooperation 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 Board (including the independent non-executive Directors) is of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the CBUs and CKDs Procurement Cooperation Agreement will not be exceeded.

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## LETTER FROM THE BOARD

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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.

### **(C) R&D Services and Technology Licensing Agreement**

In light of the upcoming expiry of the Existing R&D Services and Technology Licensing Agreement, on 15 September 2023 (after trading hours), the Company, Geely Holding, LYNK & CO, ZEEKR, Lotus Technology, Polestar AB, Polestar China, JIDU, LEVC and smart entered into the R&D Services and Technology Licensing Agreement.

#### ***Subject matter***

Pursuant to the R&D Services and Technology Licensing Agreement, (i) the Group conditionally agreed to provide to the Geely Holding and Related Party Groups 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.; and (ii) the Group conditionally agreed to procure from 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.

#### ***Pricing basis***

The services or licensing fees under the R&D Services and Technology Licensing Agreement shall be determined based on (i) market rates for comparable R&D services or technology licensing services; or (ii) cost-plus basis if there are no comparable market rates. For R&D services which have no market price, the pricing will be determined based on the costs of providing the relevant service 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 18 comparable companies providing similar services as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the “**R&D Services Pricing Analysis Report**”). For technology licensing services, the pricing will be determined based on a percentage of revenue of each vehicle utilising the relevant vehicle platform technology sold based on a licensing fee rate with reference to the range between the lower quartile and the upper quartile of the three-year weighted average licensing fee rates of 11 samples of comparable technology licensing agreements as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the “**Licensing Fees Pricing Analysis Report**”). The R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report are prepared solely for an internal reference by the parties to the R&D Services and Technology Licensing Agreement..

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## LETTER FROM THE BOARD

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### *Term*

From 1 January 2024 to 31 December 2026

### *Payment terms*

All payments in respect of the R&D and related technological support services rendered under the R&D Services and Technology Licensing Agreement shall be generally settled within 90 days (or other period agreed by the parties to the R&D Services and Technology Licensing Agreement) of invoice in cash, wire transfer, acceptance or any other payment method mutually agreed by the parties to the R&D Services and Technology Licensing Agreement. Any overdue payment shall charge the interest, which shall be calculated by reference to the loan interest rate of the PBOC over the same period.

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

### *Condition precedent*

The R&D Services and Technology Licensing 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 2023 (or such later date as the parties may agree in writing), the R&D Services and Technology Licensing Agreement will lapse and all the obligations and liabilities of the parties under the agreement will cease and terminate.

### *Historical transactions amounts and proposed annual caps*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the services fees receivable and payable by the Group under the Existing R&D Services and Technology Licensing Agreement for the three years ending 31 December 2023.



## LETTER FROM THE BOARD

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Service fees receivable from the Geely Holding Group and LYNK & CO Group for the R&D services and technology licensing provided by the Group	4,262.6	8,449.1	2,629.4	8,868.7	9,568.2	10,053.1
Utilisation rate of annual caps				48.1%	88.3%	26.2% <i>(Note)</i>
Service fees payable to the Geely Holding Group for the R&D services and technology licensing provided by the Geely Holding Group	2,144.0	3,924.9	2,058.5	2,709.2	4,027.9	4,364.0
Utilisation rate of annual caps				79.1%	97.4%	47.2% <i>(Note)</i>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The relatively low utilisation rate of the R&D services and technology licensing provided by the Group for the year ended 31 December 2021 was primarily due to the lower-than-expected demand for R&D services since the ZEEKR brand vehicles was still in the development stage. It is expected that the demand for R&D services and technology licensing will increase in the second half of 2023 due to accelerated R&D activities for the development of electric batteries and power system.

The table below sets out the proposed annual caps for the R&D services and technology licensing fees receivable and payable by the Group pursuant to the R&D Services and Technology Licensing Agreement for a term from 1 January 2024 to 31 December 2026.

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## LETTER FROM THE BOARD

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	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Services and licensing fees receivable from the Geely Holding and Related Party Groups for the R&D services and technology licensing provided by the Group	12,601.4	9,845.7	8,243.8
Services and licensing fees payable to the Geely Holding Group and the ZEEKR Group for the R&D services and technology licensing provided by the Geely Holding Group and ZEEKR Group	1,891.3	2,413.1	2,468.7

***Basis of determination of the proposed annual caps***

The proposed annual caps for R&D services and technology licensing services were determined with reference to (i) projected total staff hours required for each R&D and technology support project; (ii) projected hourly cost for the R&D staff based on historical cost or current market hourly wages; (iii) other relevant costs incurred for the R&D and technology support projects such as material costs; (iv) estimated stage of completion of the R&D and technology support projects for the period from 1 January 2024 to 31 December 2026, with a range of 15% to 100% in 2024 and 2025 respectively and a range of 5% to 100% in 2026. In 2024, it is expected that approximately 45% of the total number of R&D projects will reach a completion stage of 50% or higher. In 2025 and 2026, these percentages are projected to be 30% and 38%, respectively; (v) the range of margin rates as stated in the R&D Services Pricing Analysis Report over the estimated cost; (vi) the projected unit sales of vehicles utilising relevant vehicle platform technologies licensed to the Group and the ZEEKR Group, which represent an estimated increase of more than 30% in both 2024 and 2025, while the growth rate is expected to be approximately 8% in 2026; (vii) the range of licensing fee rates as stated in the Licensing Fees Pricing Analysis Report for relevant vehicle platform technologies; and (viii) the estimated average platform rate for relevant vehicle platform technologies licensed to the Group for manufacturing of Geely brand vehicles. The aforementioned margin rate, licensing fee rate and the estimated platform rate are solely for the purpose of calculating the proposed annual caps and should not be regarded as fixed rates for the transactions throughout the term of the R&D Services and Technology Licensing Agreement.

The proposed annual cap for services and licensing fees receivable from the Geely Holding and Related Party Groups in 2024 represents an increase of over 50% as compared with the estimated total services and licensing fees receivable by the Group in 2023. Such increase is mainly due to the growing demand for the R&D services and technology licensing services from the Geely Holding and Related Party Groups.

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## LETTER FROM THE BOARD

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The decrease in the proposed annual cap for service and licensing fees receivable from the Geely Holding and Related Party Groups for the years ending 31 December 2025 and 2026 is due to expected decrease in R&D and technology support projects relating to the development of the Geely Holding-owned brand vehicles, the LYNK & CO brand vehicles, the ZEEKR brand vehicles, the Lotus brand vehicles, the Polestar brand vehicles, the JIDU brand vehicles, the LEVC brand vehicles and the smart brand vehicles. It is expected that some of the R&D and technology support projects relating to certain Geely Holding-owned brand vehicles will be completed gradually in 2025 and 2026.

The proposed annual cap of services and licensing fees payable to the Geely Holding Group and the ZEEKR Group in 2024 represents a decrease of approximately 50% as compared with the total estimated services and licensing fees payable by the Group in 2023. Such reduction is mainly due to the decreased reliance of the Group on R&D activities received from the Geely Holding Group.

The increase in the proposed annual cap for services and licensing fees payable to the Geely Holding Group and the ZEEKR Group for the years ending 31 December 2025 and 2026 is driven by the projected rise in vehicle platform technologies licensed by the Geely Holding Group. Such increase aligns with the expected increase in the sales volume of Geely brand vehicles and ZEEKR brand vehicles.

Considering the above basis of determining the proposed annual caps under the R&D Services and Technology Licensing Agreement, along with the analysis of the changes in the proposed annual caps, the Directors are of the view that the proposed annual caps under the R&D Services and Technology Licensing 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 FOR AND BENEFITS OF ENTERING INTO THE R&D SERVICES AND TECHNOLOGY LICENSING AGREEMENT**

The Group primarily offers R&D and technology licensing services to the Geely Holding and Related Party Groups. These services are mainly directed towards vehicle engines, transmissions and other automobile-related products to be used by the models under brands like LYNK & CO, ZEEKR, Lotus, Polestar, JIDU, LEVC, smart and other brands owned by the Geely Holding Group. These services also generate additional income for the Group. The Group's technology licensing services rendered by the Geely Holding Group are aimed at supporting the development of electric batteries, power and control system for utilisation in ZEEKR brand vehicles and Geely brand vehicles. Moreover, the R&D and technology licensing services provided by the Geely Holding Group and the ZEEKR Group to the Group grant the Group access to global R&D resources and the vehicle platform technology maintained by the Geely Holding Group.

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 R&D Services and Technology Licensing Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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The Board (including the independent non-executive Directors) is of the view that the entering into of the R&D Services and Technology Licensing Agreement is beneficial to the Group as it (i) enhances synergy and co-sharing of technology among the parties, thereby increasing the efficiency of the Group's R&D efforts; and (ii) facilitates technology upgrade that further enhance the Group's development, which in turn bolsters the competitiveness of both Geely brand vehicles and ZEEKR brand vehicles.

The Board (including the independent non-executive Directors) is of the view that the R&D Services and Technology Licensing 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 R&D Services and Technology Licensing 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 R&D SERVICES AND TECHNOLOGY LICENSING AGREEMENT**

In terms of the R&D and technology licensing services provided by the Group to the Geely Holding and Related Party Groups, the finance manager of the Finance Department will compare the scope of the services and rates with the existing similar transactions with the independent suppliers of the Group (if any) or make reference to transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification to determine the market rates for the R&D services or technology licensing services. If there are no such market rates, the finance manager of the Finance Department will review the relevant cost items incurred by the Group for the relevant R&D services and technology licensing services performed on an annual basis (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) and ensure the accuracy of such costs.

For the licensing of the relevant vehicle platform technologies, the finance manager of the Finance Department will review the selling price of the vehicles utilising relevant vehicles platform technologies being licensed and the cost of the relevant vehicle platform technologies to the total manufacturing cost of the respective vehicle models on an annual basis (or more frequently if it is determined necessary) to ensure the accuracy of the licensing fees.

The Company and each of the Geely Holding and Related Party Groups will determine the margin rate and licensing fee rate of R&D services and technology licensing services with reference to the respective transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification. The finance manager of the Finance Department will review the scope of the R&D services and technology licensing services on an annual basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis reports should be obtained for the determination of the margin rate and licensing fee rate.

The Group will implement the following measures to ensure that the annual transaction amounts under the R&D Services and Technology Licensing Agreement do not exceed the proposed annual caps of 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

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## LETTER FROM THE BOARD

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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 subsidiaries of the Company that there will be significant increase in the transaction volume of continuing connected transactions in a particular month which 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 volume of R&D services and technology licensing to ensure that the respective annual caps under the R&D Services and Technology Licensing 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 forgoing, the Board (including the independent non-executive Directors) is of the view that the Company has sufficient internal control measures to ensure that the proposed annual caps under the R&D Services and Technology Licensing 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.

### **(D) Automobile Financing Arrangements**

The original term of each of the Existing Finance Cooperation Agreements will expire on 31 December 2023. On 15 September 2023 (after trading hours), Genius AFC respectively entered into (i) the LYNK & CO Finance Cooperation Agreement with LYNK & CO Sales; (ii) ZEEKR Finance Cooperation Agreement with ZEEKR; (iii) the Geely Holding Finance Cooperation Agreement with Geely Holding; and (iv) the smart Finance Cooperation Agreement with smart Sales. Also, on the same date, Genius AFC entered into the Lotus Finance Cooperation Agreement with Lotus Sales.

#### ***Principal Terms of the Finance Cooperation Agreements***

The Principal terms of the Finance Cooperation Agreements are set out below:

##### ***(a) Term of the Finance Cooperation Agreements***

The Finance Cooperation Agreements shall have an initial term of three years subject to early termination by the parties serving at least a 6-month prior written notice. The term of the Finance Cooperation Agreements may be renewed and extended subject to the compliance with the Listing Rules.

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## LETTER FROM THE BOARD

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(b) *Conditions precedent to the Finance Cooperation Agreements*

The Finance Cooperation Agreements and the transactions contemplated thereunder are conditional upon obtaining the approvals of the Independent Shareholders and the Stock Exchange (if required).

(c) *Principal terms of the business cooperation mode under the Finance Cooperation Agreements*

(i) Cooperation

The relevant Automobile Sales Company shall use its reasonable endeavours to (a) procure different parties, including but not limited to dealers, after-sales service providers and other sellers (collectively, the “**Wholesale Customers**”) to use the Wholesale Financing and recommend their retail customers (the “**Retail Customers**”) to use the Retail Financing; (b) grant subsidies to the Wholesale Customers for the purpose of promoting the Wholesale Financing Business; and (c) grant subsidies to the Retail Customers for the purpose of promoting the Retail Financing Business; provided that the Wholesale Customers and the Retail Customers shall have the sole and absolute discretion to determine whether to use the Wholesale Financing and/or the Retail Financing.

Pursuant to the Finance Cooperation Agreements, Genius AFC is not the exclusive provider of the automobile and other financing services to the relevant Automobile Sales Company, the Wholesale Customers and the Retail Customers. Notwithstanding the foregoing, should an independent automobile financing company offer the same financing services under the same terms and conditions, Genius AFC shall be the preferred partner of the relevant Automobile Sales Company, which shall be firstly recommended to the Wholesale Customers and/or the Retail Customers.

For carrying out the Wholesale Financing Business and the Retail Financing Business, Genius AFC will enter into separate agreements with the Wholesale Customers or the Retail Customers. Please see paragraph headed “Principal terms of the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements” below for more information.

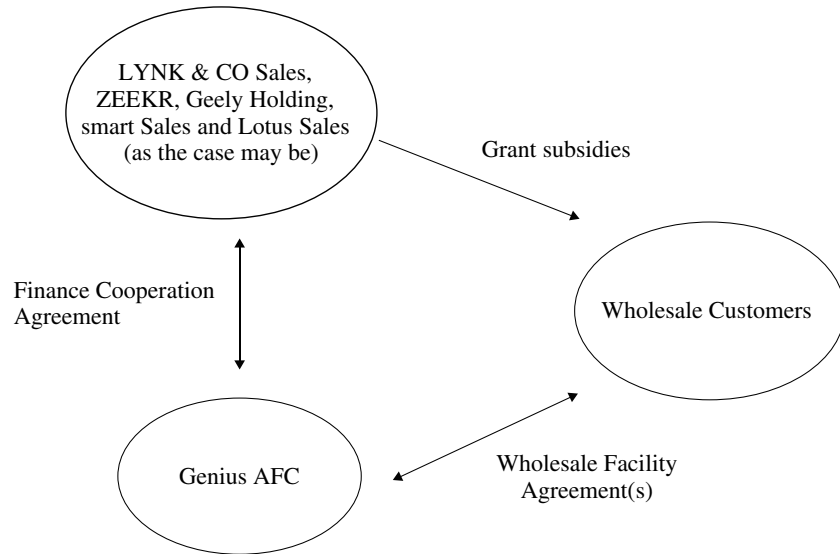
Set out below are the flow charts summarising the Wholesale Financing Business and the Retail Financing Business:

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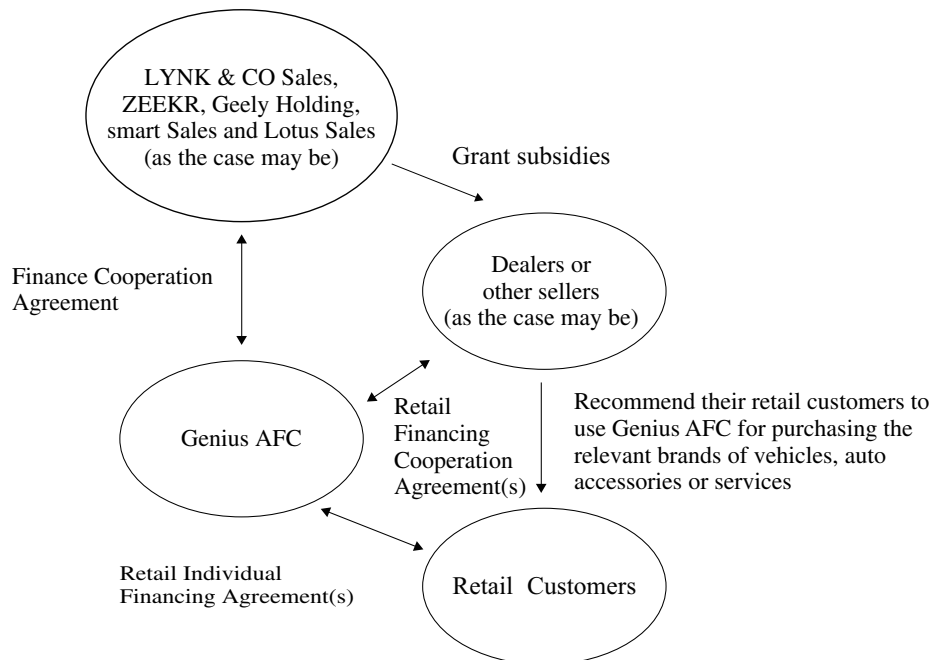
## LETTER FROM THE BOARD

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(1) Wholesale Financing Business



(2) Retail Financing Business



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## LETTER FROM THE BOARD

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(ii) Pricing policy

Given that Genius AFC is not the exclusive automobile financing service provider to the relevant Automobile Sales Company, the Wholesale Customers and the Retail Customers and also taking into account the fierce competition of the automobile financing industry in the PRC, the sales and marketing department of Genius AFC will communicate with the Wholesale Customers and/or the Retail Customers (as the case may be) on an ongoing basis to ensure that the terms of the Wholesale Facility Agreements and the Retail Individual Financing Agreements are competitive during the term of the Finance Cooperation Agreements but shall always be in line with the market practice of the automobile financing industry in the PRC. All automobile financing and related product pricing proposals of Genius AFC are prepared in accordance with its internal control procedures. Please see the paragraph headed “*Internal Control Measures in relation to the Automobile Financing Arrangements – Internal Control of Genius AFC*” below for more information.

Genius AFC has the sole and absolute discretion in determining the final pricing of the automobile financing services under the Wholesale Facility Agreements and the Retail Individual Financing Agreements (the “**Final Pricing**”). The Final Pricing will be determined by Genius AFC after taking into account various factors, including, its cost of funds, the lending rates offered by its competitors and the borrowers’ risk profile, which will be assessed by Genius AFC in accordance with its risk management procedures. For details of Genius AFC’s risk management, please see the paragraph headed “(iii) *Risk management*” below.

Subject to the compliance with the applicable PRC laws and regulations, the interest rates of the financing to be provided by Genius AFC under the Wholesale Facility Agreements and the Retail Individual Financing Agreements are higher than the base lending rates published by the PBOC for the similar types of financing under similar terms and conditions.

(iii) Risk management

Genius AFC is responsible for the lending risk assessment and making decisions on providing the Wholesale Financing to the Wholesale Customers and the Retail Financing to the Retail Customers. The extension of the term of financing to the Wholesale Customers or the Retail Customers is subject to the satisfactory of the credit risk assessment in accordance with Genius AFC’s credit risk management procedures and its internal risk and management policies.

In relation to the credit risk assessment procedures of the Wholesale Financing Business, the risk control department of Genius AFC will review the credit applications with supporting materials submitted by the Wholesale Customers and will prepare proposals of granting credit lines. The risk control committee of Genius AFC will appraise and decide on whether or not to grant such credit lines. If the credit lines exceed certain internal threshold, such credit application(s) shall be approved by the



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## LETTER FROM THE BOARD

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board of Genius AFC. When considering an application, the following factors will be considered with respect to the Wholesale Customers: the debt-to-asset ratios, the Wholesale Customers' background information, companies' profile, relevant experience in the automobile industry as well as the automobile brand, the capital structure, the track record period and financial performance of the Wholesale Customers. The Wholesale Customers who have been granted with credit lines are required to submit to Genius AFC their financial reports monthly and audited accounts annually (if any). The risk control department of Genius AFC will review and assess the aforesaid financial information. If there is any substantial change in the financial and operating performance of the Wholesale Customers, Genius AFC will consider to adjust the granted credit lines.

In relation to the credit risk assessment procedures of the Retail Financing Business, Genius AFC has utilized a computerized internal risk assessment expert system (the "**Risk Assessment System**"), which enables Genius AFC to perform credit risk assessment procedures using big data analysis. The risk control department of Genius AFC will set specifications for the retail products to determine whether to accept the financing applications of the Retail Customers based on their incomes, credit history and repayment capability. The risk control committee of Genius AFC will then review and approve the specifications rules for the retail products. Based on the evaluation by the Risk Assessment System, which is configured and modified by the risk control department of Genius AFC from time to time, the decisions on whether to grant the financing to the Retail Customers will be made by the Risk Assessment System and the retail underwriting team of the operation department of Genius AFC (the "**Underwriting Team**"). The Underwriting Team's primarily responsibilities also include verifying the information and materials submitted by the Retail Customers and assessing the Retail Customers' credibility in order to make final credit decisions on the applications. After granting the automobile financing to the Retail Customers, the collection team of the operation department of Genius AFC will monitor the performance of the Retail Customers on repaying the financing installments and follow up with default payment and/or delinquency (if any).

(iv) Terms of the financing

For the Wholesale Financing Business, the maximum term of a financing granted to the Wholesale Customers is 360 days. If the payment date is a non Business Day, the payment date will be postponed to the next Business Day. For the Retail Financing Business, the maximum term of a financing granted to the Retail Customers is 60 months. The aforesaid terms are subject to amendments as determined by Genius AFC depending on its future business conditions.

(v) Subsidies

The relevant Automobile Sales Company may provide subsidies to the Wholesale Customers and the Retail Customers according to the sales objectives and regional coverage.

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## LETTER FROM THE BOARD

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The relevant Automobile Sales Company may from time to time offer support to the relevant Wholesale Customers in relation to the automobile financing and stocking costs; and may pay the interests accrued under the relevant Wholesale Facility Agreement on behalf of the Wholesale Customers for an agreed period of time. The terms and period of such subsidies will be determined by the relevant Automobile Sales Company according to its quarterly sales incentive policy. In practice, subject to the final assessment of the market situation (e.g. sales performance of the relevant automobile brands) by the relevant Automobile Sales Company, (i) for the Wholesale Financing Business, the relevant Automobile Sales Company will provide subsidies to the relevant Wholesale Customers who enter into the Wholesale Facility Agreements; and (ii) for the Retail Financing Business, the relevant Automobile Sales Company will provide subsidies to the relevant Retail Customers who enter into the Retail Individual Financing Agreements.

- (vi) Principal terms of the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements

For conducting the Wholesale Financing Business, Genius AFC will enter into the Wholesale Facility Agreements with the Wholesale Customers, pursuant to which Genius AFC will provide the Wholesale Financing to such Wholesale Customers to facilitate their purchase of the relevant brand of vehicles and/or auto accessories and/or services.

For carrying out the Retail Financing Business, Genius AFC will enter into the Retail Financing Cooperation Agreements with the relevant dealers or other sellers (as the case maybe), pursuant to which the relevant dealers or other sellers shall recommend their retail customers to use Genius AFC for obtaining vehicle financing to finance their purchase of the relevant brand of automobiles, auto accessories and services. Also, Genius AFC will enter into the Retail Individual Financing Agreements with the Retail Customers, pursuant to which Genius AFC will directly provide financing to such Retail Customers to facilitate their purchase of the relevant brand of vehicles and/or auto accessories and/or services.

Under the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements, acceptable securities may include security deposits, pledge over the Wholesale Customers' or the Retail Customers' vehicles and/or other types of guarantees.

The terms of the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements, including among others, the pricing policy, the term of financing, the credit limits, etc., shall be consistent with the terms of the Finance Cooperation Agreements.

## LETTER FROM THE BOARD

### *Annual Caps under the Finance Cooperation Agreements*

(a) *Annual Caps under the LYNK & CO Finance Cooperation Agreement*

#### LYNK & CO Wholesale Annual Caps

The table below sets out (i) the historical transaction amounts of LYNK & CO Wholesale Financing for each of the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the approved annual caps for the LYNK & CO Wholesale Financing for each of the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)			
New financing amounts provided by Genius AFC under the LYNK & CO Wholesale Financing	2.5	-	-	450.0	675.0	1,125.0
Utilisation rate of annual caps				0.6%	Nil	Nil <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023 was primarily due to (i) the discontinuance of some of the LYNK & CO Dealers which were affected by the COVID-19 outbreak; (ii) decrease in demand of vehicles caused by the COVID-19 outbreak which led to lower demand for LYNK & CO Wholesale Financing; and (iii) the lower-than-expected wholesale finance coverage as a result of intense competition from other financial institutions of providing automobile wholesale financing services. As a result, the penetration rate of the LYNK & CO Wholesale Financing was lower than originally expected. In this regard, Genius AFC revised the annual caps of LYNK & CO Wholesale Financing downward for the three years ending 31 December 2026.

The table below sets out the LYNK & CO Wholesale Annual Caps for each of the three years ending 31 December 2026.

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## LETTER FROM THE BOARD

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	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the LYNK & CO Wholesale Financing	332.3	424.3	509.8

### Basis of determination of the LYNK & CO Wholesale Annual Caps

For determining the LYNK & CO Wholesale Annual Caps, Genius AFC took into account (i) the sales volume of LYNK & CO brand vehicles, auto accessories and services to be purchased by the Wholesale Customers for each of the three years ending 31 December 2026, which was determined by the LYNK & CO Group with reference to the sales volume projection of the LYNK & CO brand vehicles, auto accessories and services after considering the expected increase in demand of the existing LYNK & CO brand vehicles following the gradual recovery from the effect of the pandemic and the introduction of the new LYNK & CO brand vehicles. The estimated sales volume of LYNK & CO brand vehicles is expected to increase by 5% in both 2025 and 2026 (the “**Estimated Sales Volume Increase of LYNK & CO**”); (ii) the estimated average selling price of the LYNK & CO brand vehicles, auto accessories and services to the relevant Wholesale Customers which was determined with reference to the historical selling price and estimated selling price of the LYNK & CO brand vehicles for each of the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the LYNK & CO Wholesale Annual Caps; (iii) the estimated average selling price of the spare auto parts for each of the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the LYNK & CO Wholesale Annual Caps; and (iv) the estimated financing contracts to be obtained by Genius AFC under the LYNK & CO Wholesale Financing, which are expected to increase by approximately 24% in 2025 and roughly 16% in 2026.

The increase in the LYNK & CO Wholesale Annual Caps for the two years ending 31 December 2026 is primarily due to the estimated increase in the number of LYNK & CO brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers. The growth is expected to stem from the estimated increase in the number of relevant Wholesale Customers, driven by the planned expansion of their network. The increase in the LYNK & CO Wholesale Annual Caps for the two years ending 31 December 2026 outweighing the Estimated Sales Volume Increase of LYNK & CO is attributed to several factors, including the anticipated expansion of cooperation with the Wholesale Customers and the extended range of financing services, such as financing for showroom vehicles.

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## LETTER FROM THE BOARD

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### LYNK & CO Retail Annual Caps

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the LYNK & CO Retail Financing for each of the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts provided by Genius AFC under the LYNK & CO Retail Financing	6,304.7	5,207.7	1,664.0	10,153.9	13,303.5	17,149.7
Utilisation rate of annual caps				62.1%	39.1%	9.7% <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023 was mainly due to the lower-than-expected demand of LYNK & CO brand vehicles in China throughout the years of 2021 and 2022 as a result of (i) the intense competition with other automobile brands in the market and (ii) the COVID-19 outbreak which affected the distribution network of LYNK & CO which was located in first and second tier cities in China; and (iii) the LYNK & CO brand was in the early stage of new energy transformation. As a result, the penetration rate of the LYNK & CO Retail Financing was lower than originally expected. In this regard, Genius AFC revised the annual caps of LYNK & CO Retail Financing downward for the three years ending 31 December 2026.

The table below sets out the LYNK & CO Retail Annual Caps for each of the three years ending 31 December 2026.

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	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the LYNK & CO Retail Financing	5,467.9	5,799.5	6,149.4

### Basis of determination of the LYNK & CO Retail Annual Caps

When determining the LYNK & CO Retail Annual Caps, Genius AFC took into account (i) the projected sales volume of LYNK & CO brand vehicles, auto accessories and services to the LYNK & CO retail customers for each of the three years ending 31 December 2026 by the LYNK & CO Dealers and other sellers. The estimated sales volume of LYNK & CO brand vehicles is expected to increase by 5% in both 2025 and 2026; (ii) the projected average retail selling price of LYNK & CO brand vehicles, auto accessories and services for each of the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the LYNK & CO Retail Annual Caps; and (iii) the estimated retail financing penetration rate of the LYNK & CO Retail Financing of 43.7%, 44.1% and 44.5%, respectively for each of the three years ending 31 December 2026. The above retail financing penetration rate represents the estimated percentage of the LYNK & CO retail customers' purchases which will be financed by Genius AFC.

When determining the aforesaid retail financing penetration rate of the LYNK & CO Retail Financing, Genius AFC made reference to the historical average retail financing penetration rate of 43.4% and 37.6% for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively and the expectation that more LYNK & CO retail customers will choose to use LYNK & CO Retail Financing in light of the increased level of promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase penetration rate.

(b) *Annual Caps under the ZEEKR Finance Cooperation Agreement*

### ZEEKR Wholesale Annual Caps

There was no historical transaction amount for the ZEEKR Wholesale Financing Business as the financing business is only expected to commence in 2024. The table below sets out the ZEEKR Wholesale Annual Caps for each of the three years ending 31 December 2026.

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	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>

New financing amounts to be provided by Genius AFC under the ZEEKR Wholesale Financing	7.9	10.0	10.0
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### Basis of determination of the ZEEKR Wholesale Annual Caps

For determining the ZEEKR Wholesale Annual Caps, Genius AFC took into account (i) the projected sales volume of ZEEKR brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers for each of the three years ending 31 December 2026, which was determined by the ZEEKR Group with reference to the sales volume projection of the ZEEKR brand vehicles, auto accessories and services after taking into account the new models of ZEEKR brand vehicles. The projected sales volume of ZEEKR brand vehicles is anticipated to increase by more than 50% in 2025 and by 10% in 2026 on a year-on-year basis; (ii) the estimated average selling price of the ZEEKR brand vehicles, auto accessories and services to the relevant Wholesale Customers for each of the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the ZEEKR Wholesale Annual Caps; and (iii) the estimated financing contracts to be obtained by Genius AFC under the ZEEKR Wholesale Financing, which are expected to increase by approximately 27% in 2025 and remain stable in 2026.

The increase in the ZEEKR Wholesale Annual Cap for the year ending 31 December 2025 is primarily due to the expected increase in the purchase of ZEEKR brand vehicles arising from the introduction of new models for the year ending 31 December 2025. The ZEEKR Wholesale Annual Cap is expected to be stable in 2026, despite the anticipated increase in the sales volume of ZEEKR brand vehicles during the same period.

### ZEEKR Retail Annual Caps

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the ZEEKR Retail Financing for each of the three years ending 31 December 2023 and their respective utilisation rates.

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	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts provided by Genius AFC under the ZEEKR Retail Financing	92.7	3,646.9	3,404.9	144.0	4,977.0	12,715.9
Utilisation rate of annual caps				64.4%	73.3%	26.8% <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The table below sets out the ZEEKR Retail Annual Caps for each of the three years ending 31 December 2026.

	Proposed annual cap for the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the ZEEKR Retail Financing	5,029.3	9,055.4	10,322.9

### Basis of determination of the ZEEKR Retail Annual Caps

When determining the ZEEKR Retail Annual Caps, Genius AFC took into account (i) the projected sales volume of ZEEKR brand vehicles, auto accessories and services for the three years ending 31 December 2026. The projected sales volume of ZEEKR brand vehicles is expected to increase by more than 50% in 2025 and 10% in 2026 on a year-on-year basis; (ii) the projected average retail selling price for each unit of ZEEKR brand vehicles, auto accessories and services for the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the ZEEKR Retail Annual Caps; and (iii) the estimated retail financing penetration rate of the ZEEKR Retail Financing business of 7.5% for each of the three years ending 31 December 2026, respectively. The



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above retail financing penetration rate represents the estimated percentage of the ZEEKR retail customers' purchases which will be financed by Genius AFC. It is expected that the ZEEKR's provision of subsidies, which would be converted into purchase price discount on the ZEEKR brand vehicles, will encourage ZEEKR retail customers to choose Genius AFC for the provision of vehicle financing services.

The ZEEKR Retail Annual Cap in 2024 is expected to be lower than the annualized historical transaction amount for the six months ended 30 June 2023 because of a lower estimated retail financing penetration rate.

(c) *Annual Caps under the Geely Holding Finance Cooperation Agreement*

Geely Holding Wholesale Annual Caps

There was no historical transaction amount for the Geely Holding Wholesale Financing as the financing business is only expected to commence in 2024. The table below sets out the Geely Holding Wholesale Annual Caps 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
New financing amounts to be provided by Genius AFC under the Geely Holding Wholesale Financing	54.5	101.2	142.5

Basis of determination of the Geely Holding Wholesale Annual Caps

For determining the Geely Holding Wholesale Annual Caps, Genius AFC took into account (i) the projected units of the Geely Holding-owned brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers for each of the three years ending 31 December 2026, which are expected to increase by approximately 15% in both 2025 and 2026 on a year-on-year basis (the "**Estimated Sales Volume Increase of Geely Holding-owned Brand Vehicles**"); (ii) the estimated average selling price of the Geely Holding-owned brand vehicles, auto accessories and services to the relevant Wholesale Customers. The aforesaid estimated average selling price is expected to decrease by approximately 12% in 2025 and increase by approximately 3% in 2026; and (iii) the estimated financing contracts to be entered into by Genius AFC under the Geely Holding Wholesale Financing, which are expected to increase by approximately 110% in 2025 and 37% in 2026, respectively.

The increase in the Geely Holding Wholesale Annual Caps for the two years ending 31 December 2026 is primarily due to the estimated increase in the number of the Geely Holding-owned brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers. The growth is expected to stem from the estimated increase in the number of

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relevant Wholesale Customers, driven by the planned expansion of their network. The increase in the Geely Holding Wholesale Annual Caps for the two years ending 31 December 2026 outweighing the Estimated Sales Volume Increase of Geely Holding-owned Brand Vehicles is attributed to several factors, including the anticipated expansion of cooperation with the Wholesale Customers, especially for new energy vehicles, and the extended range of financing services, such as financing for showroom vehicles.

### Geely Holding Retail Annual Caps

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the Geely Holding Retail Financing for each of the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts provided by Genius AFC under the Geely Holding Retail Financing	31.1	75.7	186.1	279.8	377.9	606.5
Utilisation rate of annual caps				11.1%	20.0%	30.7% <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The low utilisation rate of the annual caps for the two years ended 31 December 2022 and the six months ended 30 June 2023 were mainly due to the lower-than-expected demand of the Geely Holding-owned brand vehicles and Geely brand vehicles in China as a result of the intense competition with other automobile brands in the market and the COVID-19 outbreak which led to lower demand for the Geely Holding-owned brand vehicles and Geely brand vehicles.

The table below sets out the Geely Holding Retail Annual Caps for each of the three years ending 31 December 2026.

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	Proposed annual cap for the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the Geely Holding Retail Financing	564.5	881.6	1,307.1

### Basis of determination of the Geely Holding Retail Annual Caps

When determining the Geely Holding Retail Annual Caps, Genius AFC took into account (i) the projected sales volume of the Geely Holding-owned brand vehicles, auto accessories and services to be sold by the Geely Holding Dealers and other sellers to the Geely Holding-owned brand retail customers for the three years ending 31 December 2026, which are expected to increase by approximately 15% in both 2025 and 2026 on a year-on-year basis; (ii) the projected sales volume of the Geely brand vehicles, auto accessories and services to be sold by the Connected Geely Dealers for the three years ending 31 December 2026, which are expected to increase by over 20% in both 2025 and 2026 on a year-on-year basis; (iii) the projected average retail selling price of the Geely Holding-owned brand vehicles and Geely brand vehicles for each of the three years ending 31 December 2026; (iv) the estimated retail financing penetration rate of Geely brand vehicles of 43.7%, 45.5% and 46.2%, respectively for each of the three years ending 31 December 2026; and (v) the estimated average retail financing penetration rate of the major auto brand of the Geely Holding-owned brand vehicles of 22.0%, 24.2% and 26.6%, respectively for each of the three years ending 31 December 2026.

When determining the said retail financing penetration rate of the Geely brand vehicles, Genius AFC made reference to the historical average retail penetration rate of the Geely brand vehicles sold by the Connected Geely Dealers which is 38.6% for the six months ended 30 June 2023. Genius AFC expects the estimated retail financing penetration rate of Geely brand vehicles to grow annually for the two years ending 31 December 2026 provided that the Connected Geely Dealers will be procured by the Geely Holding Group to undertake more promotional activities for the retail financing services offered by Genius AFC.

The increase in the Geely Holding Retail Annual Cap in 2024 as compared with the annualized historical transaction amount for the six months ended 30 June 2023 is primarily attributed to the projected increase in sales volume of Geely Holding-owned brand vehicles, representing a growth of over 30% in 2024 compared with the estimated total sales volume in 2023.

The increase in the Geely Holding Retail Annual Caps for the two years ending 31 December 2026 is primarily due to the estimated increase in the number of the Geely Holding-owned brand vehicles, auto accessories and services to be sold to the relevant Geely Holding-owned brand retail customers. In addition, it is driven by an expected increase in the number of Geely

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brand vehicles to be sold to the Connected Geely Dealers, coupled with several factors such as increased financing penetration and enhanced cooperation with the dealers to promote financing services.

(d) *Annual Caps under the smart Finance Cooperation Agreement*

smart Wholesale Annual Caps

There was no historical transaction amount for the smart Wholesale Financing as the financing business is only expected to commence in 2024. The table below sets out the smart Wholesale Annual Caps for each of the three years ending 31 December 2026.

	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the smart Wholesale Financing	165.0	288.0	455.0

Basis of determination of the smart Wholesale Annual Caps

For determining the smart Wholesale Annual Caps, Genius AFC took into account (i) the projected units of smart brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers for each of the three years ending 31 December 2026, which are expected to increase by over 15% in 2025 and 3% in 2026 on a year-on-year basis (the “**Estimated Sales Volume Increase of smart Brand Vehicles**”); (ii) the estimated average selling price of smart brand vehicles, auto accessories and services to the relevant Wholesale Customers for each of the three years ending 31 December 2026, which are expected to increase by approximately 5% in both 2025 and 2026 on a year-on-year basis; and (iii) the estimated financing contracts to be entered into by Genius AFC under the smart Wholesale Financing, which are expected to increase by approximately 67% in 2025 and 50% in 2026.

The increase in the smart Wholesale Annual Caps for the two years ending 31 December 2026 is primarily due to the estimated increase in the number of smart brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers. The growth is expected to stem from the estimated increase in the number of relevant Wholesale Customers, driven by the planned expansion of their network. The increase in the smart Wholesale Annual Caps for the two years ending 31 December 2026 outweighing the Estimated Sales Volume Increase of smart Brand Vehicles is attributed to several factors, including the anticipated expansion of cooperation with the relevant Wholesale Customers and the extended range of financing services, such as financing for showroom vehicles.

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### smart Retail Annual Caps

The table below sets out (i) the historical transaction amounts for the year ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the annual caps for the smart Retail Financing for each of the two years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December 2022	Historical transaction amount for the six months ended 30 June 2023	Approved annual caps for the year ended/ending 31 December	
	<i>RMB million</i>	<i>RMB million</i>	2022	2023
	(Audited)	(Unaudited)	<i>RMB million</i>	<i>RMB million</i>
New financing amounts provided by Genius AFC under the smart Retail Financing	101.4	320.0	134.0	670.0
Utilisation rate of annual caps			75.7%	47.8% <i>(Note)</i>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

The table below sets out the smart Retail Annual Caps for each of the three years ending 31 December 2026.

	Proposed annual cap for the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the smart Retail Financing	2,037.0	3,206.3	4,141.2

### Basis of determination of the smart Retail Annual Caps

When determining the smart Retail Annual Caps, Genius AFC took into account (i) the projected sales volume of smart brand vehicles, auto accessories and services to the smart retail customers for each of the three years ending 31 December 2026, which are expected to increase by over 15% in 2025 and 3% in 2026 on a year-on-year basis; (ii) the projected average retail selling price of smart brand vehicles, auto accessories and services for each of the three years ending 31 December 2026, which are expected to increase by approximately 5% in both 2025 and 2026 on a year-on-year basis; and (iii) the estimated retail financing

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penetration rate of the smart Retail Financing business of 15%, 20% and 25%, respectively for each of the three years ending 31 December 2026. The above retail financing penetration rate represents the estimated percentage of the smart retail customers' purchases which will be financed by Genius AFC.

When determining the aforesaid retail financing penetration rate of the smart Retail Financing, Genius AFC made reference to the historical average retail financing penetration rate of 9.8% and 10.2% for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively and the expectation that more smart retail customers will choose to use smart Retail Financing in light of the increased level of promotional activities, incentives and training to be undertaken by Genius AFC and smart Sales to increase penetration rate.

The increase in the smart Retail Annual Cap in 2024 as compared with the annualized historical transaction amount for the six months ended 30 June 2023 is primarily attributed to the projected growth in the sales volume of smart brand vehicles. This represents an increase of over 100% in 2024 compared with the estimated total sales volume in 2023, while the selling price of smart brand vehicles is expected to remain stable during 2023 and 2024.

The increase in the smart Retail Annual Caps for the two years ending 31 December 2026 is primarily due to the estimated increase in the number of the smart brand vehicles, auto accessories and services to be sold to the relevant retail customers. In addition, it is driven by several factors such as estimated increase in retail financing penetration and enhanced cooperation with the dealers to promote financing services during the corresponding period.

(e) *Annual Caps under the Lotus Finance Cooperation Agreement*

Lotus Wholesale Annual Caps

There was no historical transaction amount for the Lotus Wholesale Financing as the financing business is only expected to commence in 2024. The table below sets out the Lotus Wholesale Annual Caps for each of the three years ending 31 December 2026.

	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the Lotus Wholesale Financing	22.0	22.0	22.0

Basis of determination of the Lotus Wholesale Annual Caps

For determining the Lotus Wholesale Annual Caps, Genius AFC took into account (i) the projected volume of Lotus brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers for each of the three years ending 31 December 2026, which are

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expected to increase by over 20% in 2025 and 50% in 2026 on a year-on-year basis; (ii) the projected average selling price of the Lotus brand vehicles, auto accessories and services to the relevant Wholesale Customers for the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the Lotus Wholesale Annual Caps; and (iii) the estimated financing contracts to be entered into by Genius AFC under the Lotus Wholesale Financing, which are expected to remain stable from 2024 to 2026.

### Lotus Retail Annual Caps

There was no historical transaction amount for the Lotus Retail Financing as such financing business is only expected to commence in 2024. The table below sets out the Lotus Retail Annual Caps for each of the three years ending 31 December 2026.

	<b>Proposed annual cap for the year ending</b>		
	<b>31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC under the Lotus Retail Financing	922.7	1,164.1	1,814.3

### Basis of determination of the Lotus Retail Annual Caps

When determining the Lotus Retail Annual Caps, Genius AFC took into account (i) the projected sales volume of Lotus brand vehicles, auto accessories and services to the Lotus retail customers for each of the three years ending 31 December 2026, which are expected to increase by over 20% in 2025 and 50% in 2026 on a year-on-year basis; (ii) the projected average retail selling price of Lotus brand vehicles, auto accessories and services for each of the three years ending 31 December 2026, which is expected to remain stable from 2024 to 2026 for the purpose of calculating the Lotus Retail Annual Caps; and (iii) the estimated retail financing penetration rate of the Lotus Retail Financing business of 13%, for each of the three years ending 31 December 2026. The above retail financing penetration rate represents the estimated percentage of the Lotus retail customers' purchases which will be financed by Genius AFC.

Considering the above basis of determining the proposed annual caps under the Finance Cooperation Agreements, along with the analysis of the fluctuations of such proposed annual caps, the Directors are of the view that the proposed annual caps under the Finance Cooperation Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Reasons for and Benefits of the Automobile Financing Arrangements*

Genius AFC is principally engaged in the provision of auto retail financing solutions to end customers, mainly supporting the key auto brands of the Group. As a professional auto financing company, Genius AFC has been striving to improve the sales of the different auto brands, increasing the purchasing power and customer loyalty through providing financing services to customers. By vigorously widening the customer base and service scope, Genius AFC has maintained rapid profit growth since 2017. The entering into the Finance Cooperation Agreements will allow Genius AFC to extend its financing services to various automobile brands, thereby allowing it to gain a larger market share in the PRC auto finance industry.

In terms of provision of financing services, as at 30 June 2023, Genius AFC successfully launched 20 asset-backed securities (“ABS”) issuances in total with cumulative amount of approximately RMB80.3 billion, one of which was green ABS, with an issuance amount of RMB1.2 billion. With the steady increase in funding sources and assets scale, Genius AFC has been striving for continuing business growth and expanding its wholesale and retail financing services by widening the customer base and service scope with priority of fulfilling the financing needs for the Geely brand vehicles. At the same time, Genius AFC continues improving its profitability through cooperation with other vehicle manufacturers for maximising profits for the Group.

The Directors consider that the provision of financing under the Finance Cooperation Agreements by Genius AFC would not result in a deprivation of funds available for financing applications for purchasing vehicles of the Group. To ensure proper allocation of its resources such that the Group’s interest will be safeguarded, Genius AFC has undertaken to the Company that, in the event that there is a shortage of funds experienced by Genius AFC, priority will be given to financing applications for purchasing vehicles of the Group.

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 Finance Cooperation Agreements and the transactions contemplated thereunder.

The Board (including the independent non-executive Directors) is of the view that the Finance Cooperation Agreements are negotiated on an arm’s length basis and are on normal commercial terms, and the terms and the proposed annual caps of the Finance Cooperation Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### *Internal Control Measures in relation to the Automobile Financing Arrangements*

#### *Internal control of Genius AFC*

Based on customers’ requirements, all financing and product pricing proposals (including any subsequent modifications) are prepared by Genius AFC’s sales and marketing department. In order to ensure the compliance with the aforesaid pricing basis for the Finance Cooperation Agreements, the finance manager of Genius AFC’s finance department will monitor the fluctuations of the interest rates in the market at least on a monthly basis or more frequently if it is determined necessary. For example, when the interest rates become volatile, including among others, the PBOC lending base



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## LETTER FROM THE BOARD

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rates, the finance manager will review the interest rates and prepare reports to ensure that the interest rates offered for the financing proposals will be higher than the PBOC lending base rates for similar types of financing under similar terms and conditions. In addition, Genius AFC's sales and marketing department communicates with the respective dealers, other sellers and after-sales service providers covered by the Finance Cooperation Agreements on an ongoing basis to ensure the terms of the respective wholesale facility agreement and the retail financing cooperation agreement covered by the Finance Cooperation Agreements are in line with the general auto finance market practice. The finance department of Genius AFC will prepare reports on financing market interest rates and review these reports at least monthly (or more frequently if it is determined necessary). These reports are distributed to departments including the sales and marketing department, the operation department, the risk control department, the legal and compliance department and the information and technology department of Genius AFC for review whenever necessary. The product pricing proposals will then be submitted to the sales and marketing committee for final approval. All financing and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by other departments of Genius AFC, such as the finance department and the risk control department.

To ensure the actual new financing amounts will not exceed the respective wholesale annual caps and the retail annual caps, Genius AFC will prepare specific monthly reports to show the actual transaction volumes and amounts as compared with the respective wholesale annual caps and the retail annual caps. Once the actual transaction amounts reached certain levels (being 70% of the annual caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the respective wholesale annual caps and the retail annual caps would not be exceeded or to commence necessary procedures to revise the aforementioned annual caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

Further, to ensure the transactions contemplated under the Geely Holding Finance Cooperation Agreement involving the Connected Geely Dealers to be entered into on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties, the legal department of Genius AFC will ensure that the principal terms of the Geely Wholesale Facility Agreements and Geely Retail Financing Cooperation Agreements to be entered with the Connected Geely Dealers and the Independent Geely Dealers are the same. Genius AFC will monitor the wholesale financing business and retail financing business in relation the transactions with the Connected Geely Dealers are on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties.

### *Internal control of the Group*

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

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## LETTER FROM THE BOARD

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Shareholders as a whole. The Company also engages its independent auditor to report on the continuing connected transactions every year. The independent auditor reviews and confirms whether the 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 42.12% 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.

#### **JIDU**

JIDU is a company incorporated in the Cayman Island. As at the Latest Practicable Date, JIDU was owned as to 39.4% by Geely Holding, which is ultimately beneficially wholly-owned 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.

#### **LEVC**

LEVC is a limited liability company established in the PRC. As at the Latest Practicable Date, 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. 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.

#### **Lotus Sales and Lotus Technology**

Lotus Sales and Lotus Technology are limited liability companies established in the PRC. As at the Latest Practicable Date, each of them was indirectly owned as to more than 30% by Mr. Li and his associate. Lotus Sales is principally engaged in the sales and marketing of Lotus brand vehicles and provision of after-sales services. 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.

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## LETTER FROM THE BOARD

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### **LYNK & CO and LYNK & CO Sales**

LYNK & CO is a Chinese-foreign equity joint venture of the Company established in the PRC. As at the Latest Practicable Date, it was owned as to 50% by Ningbo Geely, 20% by Geely Holding and 30% by VCI, which 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, and the provision of after-sales services in the PRC. As at the Latest Practicable Date, LYNK & CO Sales was a wholly-owned subsidiary of LYNK & CO. LYNK & CO Sales is a limited liability company established in the PRC and is principally engaged in the sales and marketing of LYNK & CO brand vehicles and provision of after-sales services.

### **Polestar AB and Polestar China**

Polestar AB is a limited liability company incorporated in Sweden and Polestar China is a limited liability company established in the PRC. Each of Polestar AB and Polestar China was indirectly owned as to 39.61% by Geely Holding and as to 39.3% by Mr. Li as at the Latest Practicable Date. The Polestar Group is primarily engaged in the R&D, manufacturing and sale of high-end electric performance cars under Polestar brand.

### **smart and smart Sales**

smart is a limited liability company established in the PRC. As at the Latest Practicable Date, it was ultimately owned as to 50% by Mr. Li and his associates and as to 50% by an independent third party. smart is principally engaged in the R&D, sales, and export of electric vehicle and parts etc. As at the Latest Practicable Date, smart Sales was a wholly-owned subsidiary of smart. smart Sales is principally engaged in the sales and marketing of smart brand vehicles and provision of after-sales services.

### **ZEEKR**

ZEEKR is a limited liability company established in the Cayman Islands. As at the Latest Practicable Date, ZEEKR was owned as to approximately 54.7% (on an as-converted basis) and approximately 51.3% (on a fully-diluted and as-converted basis) by the Company, and was owned as to approximately 13.2% (on an as-converted basis) and approximately 12.4% (on a fully-diluted and as-converted basis) by Geely Holding. ZEEKR is principally engaged in the research and development, purchase and sale of the electric mobility related products such as the premium intelligent electric vehicles under the ZEEKR brand and the provision of service relating thereto.

### **Genius AFC**

Genius AFC is a vehicle financing company established in the PRC. As at the Latest Practicable Date, it was beneficially owned as to 75% by the Company, as to 20% by BNPP PF and as to 5% by Cofiplan, respectively. Genius AFC is principally engaged in the provision of vehicle financing services in the PRC. Following the implementation of the Administrative Measures for Automotive Finance Companies (汽車金融公司管理辦法) as promulgated under NAFR 2023 No.1 on 11 August 2023, Genius AFC has broadened its business scope to cover the financing related to auto accessories and auto financing services for after-sales service providers. 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)

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## LETTER FROM THE BOARD

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of Genius AFC, Genius AFC is treated as a jointly controlled entity of the Company. Genius AFC is primarily regulated by the NAFR. In addition, PBOC as well as the Ministry of Finance of the PRC also have regulatory authority over the automobile financing industry. NAFR and PBOC enacted the Measures for the Administration of Automotive Loans and the Measures for the Administration of Automobile Finance Companies, respectively to standardize the management of automobile financing business. It is advised by Genius AFC that the historical non-performing loan ratios for the Wholesale Financing Business for the two years ended 31 December 2022 and the six months ended 30 June 2023 were nil, nil and nil, respectively; and the historical non-performing loan ratios for the Retail Financing Business for the two years ended 31 December 2022 and the six months ended 30 June 2023 were 0.19%, 0.26% and 0.20%, respectively.

### IMPLICATIONS UNDER THE LISTING RULES

#### **Automobile Components Sales and Purchase Agreement, CBUs and CKDs Procurement Cooperation Agreement and R&D Services and Technology Licensing Agreement**

As at the Latest Practicable Date, Geely Holding was a substantial shareholder of the Company holding 4,019,391,000 Shares, representing approximately 40% of the total issued share capital of the Company. As such, Geely Holding is a connected person of the Company under the Listing Rules. LYNK & CO is owned as to 50%, 20% and 30% by Ningbo Geely, Geely Holding and VCI, respectively. VCI is 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. ZEEKR is owned as to approximately 54.7% (on an as-converted basis) and approximately 51.3% (on a fully-diluted and as-converted basis) by the Company, and is owned as to approximately 13.2% (on an as-converted basis) and approximately 12.4% (on a fully-diluted and as-converted basis) by Geely Holding. Therefore, ZEEKR is a connected subsidiary of the Company under the Listing Rules.

As at the Latest Practicable Date, Lotus Technology was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Lotus Technology is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Each of Polestar AB and Polestar China is indirectly owned as to 39.61% by Geely Holding and as to 39.3% by Mr. Li. As such, Polestar AB and Polestar China are associates of Geely Holding and Mr. Li and connected persons of the Company under the Listing Rules. JIDU is owned as to 39.4% by Geely Holding. As such, JIDU is an associate of Geely Holding 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 is a connected person of the Company under the Listing Rules. smart is ultimately owned as to 50% by Mr. Li and his associates and as to 50% by an independent third party. As such, smart is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The transactions contemplated under the Automobile Components Sales and Purchase Agreement, the CBUs and CKDs Procurement Cooperation Agreement and the R&D Services and Technology Licensing Agreement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios of the proposed annual caps for each of (i) the Automobile Components Sales and Purchase Agreement; (ii) the CBUs and CKDs Procurement Cooperation Agreement; and (iii) the R&D Services and Technology Licensing 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.

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## LETTER FROM THE BOARD

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### **Automobile Financing Arrangements**

As at the Latest Practicable Date, (i) LYNK & CO Sales was a wholly-owned subsidiary of LYNK & CO and as such, LYNK & CO Sales was an associate of Geely Holding and a connected person of the Company under the Listing Rules; (ii) smart Sales was a wholly-owned subsidiary of smart and as such, smart Sales was an associate of Mr. Li and a connected person of the Company under the Listing Rules; and (iii) Lotus Sales was indirectly owned as to more than 30% by Mr. Li and his associate and as such, Lotus Sales was an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Under the automobile financing arrangements, Genius AFC will provide financing services to different parties, including but not limited to the dealers, after-sales service providers, other sellers or retail customers who will purchase vehicles or auto accessories or services from the vehicle brands of LYNK & CO, ZEEKR, Geely Holding, Geely, smart and Lotus during the term of the Finance Cooperation Agreements. The respective transactions with Genius AFC are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules on the grounds that the dealers, after-sales service providers, other sellers or retail customers will use the financing provided by Genius AFC to purchase vehicles or auto accessories or services from the connected persons of the Company. On the other hand, since the Connected Geely Dealers are connected persons of the Company, transactions between Genius AFC and the Connected Geely Dealers contemplated under the Geely Holding Finance Cooperation Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

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

### **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, Mr. An Cong Hui, 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, the R&D Services and Technology Licensing Agreement, and the ZEEKR Finance Cooperation Agreement by virtue of their interests in ZEEKR. As a result, each of Mr. Gui Sheng Yue, Mr. An Cong Hui, 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, the R&D Services and Technology Licensing Agreement, and the ZEEKR Finance Cooperation Agreement.

Mr. Li and his associates together holding 4,239,028,000 Shares (representing approximately 42.12% 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

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## LETTER FROM THE BOARD

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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 and the transactions contemplated thereunder.

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), Mr. An Cong Hui and his associates together holding 7,876,000 Shares (representing approximately 0.08% of the total issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares), 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, the R&D Services and Technology Licensing Agreement, the ZEEKR Finance Cooperation 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 and the transactions contemplated thereunder.

### **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-6 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 Monday, 27 November 2023 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.

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## LETTER FROM THE BOARD

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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 64 to 119 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 62 to 63 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 62 to 63 and pages 64 to 119 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

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

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

8 November 2023

*To the Independent Shareholders,*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 8 November 2023 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

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

We wish to draw your attention to the letter from the Board as set out on pages 16 to 61 of the Circular and the letter from the Independent Financial Adviser as set out on pages 64 to 119 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.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### 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 the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions.

Yours faithfully,

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

Mr. An Qing Heng

Mr. Wang Yang

Ms. Gao Jie

Ms. Yu Li Ping, Jennifer

Mr. Zhu Han Song

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**BALLAS**

C A P I T A L  
A subsidiary of Crosby

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

8 November 2023

*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 8 November 2023, 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) purchasing and selling automobile components, and also purchasing the CBUs and CKDs that are mainly used for ZEEKR brand vehicles; (b) receiving and providing technological support services including the R&D for automobiles and key automobile parts, technical verification and testing, technical consultation services, technical support services, the new technologies and intelligent drive technologies, technology licensing, etc.; and (c) providing, through Genius AFC, automobile financing services to wholesale customers (including dealers and after-sales service providers) or Retail Customers who will purchase the relevant brands of vehicles and/or auto accessories and/or services.

In light of all the existing agreements governing the Continuing Connected Transactions are going to expire on 31 December 2023 (with the exception of the Automobile Components Procurement Agreement, which is set to expire on 31 December 2024, but may exceed the annual cap due to the increased demand for Geely brand vehicles), the Company has entered into three agreements (namely, the Automobile Components Sales and Purchase Agreement, the CBUs and CKDs Procurement Cooperation Agreement and the R&D Services and Technology Licensing Agreement) and Genius AFC has entered into five agreements contemplated under the automobile financing arrangements with various connected persons of the Company in relation to the Continuing Connected Transactions such that the Company and Genius AFC are able to continue to conduct the Continuing Connected Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Automobile Components Sales and Purchase Agreement, CBUs and CKDs Procurement Cooperation Agreement, R&D Services and Technology Licensing Agreement**

As at the Latest Practicable Date, Geely Holding was the substantial shareholder of the Company holding 4,019,391,000 Shares, which represented approximately 40% of the total issued share capital of the Company. As such, Geely Holding is 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 is 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 54.7% (on an as-converted basis) and approximately 51.3% (on a fully-diluted and as-converted basis) by the Company, and as to approximately 13.2% (on an as-converted basis) and approximately 12.4% (on a fully-diluted and as-converted basis) by Geely Holding. ZEEKR is 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 is a connected person of the Company under the Listing Rules; (iv) each of Polestar AB and Polestar China was indirectly owned as to 39.61% by Geely Holding and as to 39.3% by Mr. Li. As such, Polestar AB and Polestar China are associates of Geely Holding and Mr. Li and connected persons of the Company under the Listing Rules; (v) JIDU was owned as to 39.4% by Geely Holding. As such, JIDU is an associate of Geely Holding and a connected person of the Company under the Listing Rules; (vi) 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 is a connected person of the Company under the Listing Rules; and (vii) smart was ultimately owned as to 50% by Mr. Li and his associates and 50% by an independent third party, respectively. As such, smart is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The transactions contemplated under the Automobile Components Sales and Purchase Agreement, the CBUs and CKDs Procurement Cooperation Agreement and the R&D Services and Technology Licensing 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 Automobile Components Sales and Purchase Agreement; (ii) the CBUs and CKDs Procurement Cooperation Agreement; and (iii) the R&D Services and Technology Licensing Agreement exceed 5% on an annual basis, the transactions contemplated under each of the Automobile Components Sales and Purchase Agreement, the CBUs and CKDs Procurement Cooperation Agreement and the R&D Services and Technology Licensing Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Automobile Financing Arrangements**

As at the Latest Practicable Date, (i) LYNK & CO Sales was a wholly-owned subsidiary of LYNK & CO. As such, LYNK & CO Sales is an associate of Geely Holding and a connected person of the Company under the Listing Rules; (ii) smart Sales was a wholly owned subsidiary of smart. As such, smart Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules; and (iii) Lotus Sales was indirectly owned as to more than 30% by Mr. Li and his associate. As such, Lotus Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Under the automobile financing arrangements, Genius AFC will provide financing services to different parties including but not limited to the dealers, after-sales service providers, other sellers or Retail Customers who will purchase vehicles or auto accessories or services from the vehicle brands of LYNK & CO, ZEEKR, Geely Holding, Geely, smart and Lotus during the term of the Finance Cooperation Agreements. The respective transactions with Genius AFC are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules on the grounds that the dealers, after-sales service providers, other sellers or Retail Customers will use the financing provided by Genius AFC to purchase vehicles or auto accessories or services from the connected persons of the Company. On the other hand, since the Connected Geely Dealers are connected persons of the Company, transactions between Genius AFC and the Connected Geely Dealers contemplated under the Geely Holding Finance Cooperation Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the Finance Cooperation Agreements exceed(s) 5% on an aggregated and annual basis, the continuing connected transactions contemplated under the 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 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, save for the appointment as the independent financial adviser in relation to (i) certain continuing connected transactions as disclosed in the circular of the Company dated 16 November 2021; (ii) the acquisition of shares of ZEEKR as disclosed in the circular of the Company dated 30 November 2021; (iii) certain continuing connected transactions as disclosed in the circular of the Company dated 26 October 2022; (iv) 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; (v) the acquisitions of certain equity interests of Proton and DHG as disclosed and defined in the circular of the Company dated 6 April 2023; (vi) 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; and (vii) this appointment in relation to the Continuing Connected Transactions (collectively, the "IFA Engagements"), 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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 2021 and 2022; (ii) the interim report of the Company for the six months ended 30 June 2023; (iii) the Automobile Components Sales and Purchase Agreement; (iv) the CBU and CKD Procurement Cooperation Agreement; (v) the R&D Services and Technology Licensing Agreement; (vi) the Finance Cooperation Agreements; (vii) the sales plan of the respective brand vehicles; (viii) the calculation of annual caps under each of the agreements; (ix) respective transfer pricing analysis reports; and (x) 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 Automobile Components Sales and Purchase Agreement, the CBU and CKD Procurement Cooperation Agreement, the R&D Services and Technology Licensing Agreement and the Finance Cooperation Agreements 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 two years ended 31 December 2021 (“FY2021”) and 2022 (“FY2022”) and the six months ended 30 June 2022 (“6M2022”) and 2023 (“6M2023”) as extracted from the Company’s respective annual and interim reports.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>FY2021</b>	<b>FY2022</b>	<b>6M2022</b>	<b>6M2023</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue				
– Sales of automobiles and related services	87,697	122,783	49,203	60,284
– Sales of automobile parts and components	8,799	8,779	4,727	4,101
– Sales of battery packs and related parts	589	8,018	1,687	5,955
– Research and development and related technological support services	3,251	6,728	1,839	1,884
– Licensing of intellectual properties	1,275	1,657	728	823
– Subcontracting income	–	–	–	135
Total revenue	101,611	147,965	58,184	73,182
Gross profit	17,412	20,896	8,476	10,540
Profit attributable to equity holders	4,847	5,260	1,552	1,571

*6M2023 vs 6M2022*

As disclosed in the interim report of the Company for 6M2023, the Group recorded revenue of approximately RMB73.2 billion for 6M2023, representing an increase of 26% as compared to that of approximately RMB58.2 billion for 6M2022. The Group sold a total of 694,045 units of vehicles for 6M2023, representing an increase of 13% from 613,834 units of vehicles sold in 6M2022. The Group's gross margin ratio remained stable at around 14% for 6M2023 as compared to 6M2022. The increase of expenses generated by the new energy transformation and the execution of the new sales business model to enhance competitiveness resulted in the increase of distribution and selling and administrative expenses for 6M2023. The Group's net profit attributable to equity holders amounted to RMB1,571.0 million for 6M2023, representing a slight increase of 1% as compared to RMB1,552.0 million for 6M2022.

*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,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### 1.2. *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 30 June 2023 as extracted from the interim report of the Company for 6M2023.

	<b>As at 30 June 2023</b>
	<i>RMB'million</i>
	(Unaudited)
Non-current assets	87,679
Current assets	76,600
Non-current liabilities	8,817
Current liabilities	74,258
<b>Total equity</b>	<b>81,204</b>

As at 30 June 2023, total assets of the Group amounted to approximately RMB164.3 billion, which mainly comprised (i) property, plant and equipment of approximately RMB35.1 billion; (ii) bank balances and cash of approximately RMB32.8 billion; (iii) trade and other receivables of approximately RMB32.6 billion; and (iv) intangible assets of approximately RMB25.5 billion.

As at 30 June 2023, total liabilities of the Group amounted to approximately RMB83.1 billion, which mainly comprised (i) trade and other payables of approximately RMB75.7 billion; (ii) bank borrowings of approximately RMB2.9 billion; and (iii) lease liabilities of approximately RMB2.3 billion.

As at 30 June 2023, the Group recorded total equity of approximately RMB81.2 billion.

## 2. **Background of the Continuing Connected Transactions**

The Group has historically been conducting the Continuing Connected Transactions which include (a) purchasing and selling automobile components, and also purchasing the CBUs and CKDs that are mainly used for ZEEKR brand vehicles; (b) receiving and providing technological support services including the R&D for automobiles and key automobile parts, technical verification and testing, technical consultation services, technical support services, the new technologies and intelligent drive technologies, technology licensing, etc.; and (c) providing, through Genius AFC, automobile financing services to wholesale customers or Retail Customers who will purchase the relevant brands of vehicles or auto accessories or services from the connected persons of the Company under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of all the existing agreements governing the Continuing Connected Transactions are going to expire on 31 December 2023 (with the exception of the Automobile Components Procurement Agreement, which is set to expire on 31 December 2024, but may exceed the annual cap due to the increased demand for Geely brand vehicles), the Company has entered into three agreements (namely, the Automobile Components Sales and Purchase Agreement, the CBUs and CKDs Procurement Cooperation Agreement and the R&D Services and Technology Licensing Agreement) and Genius AFC has entered into five agreements contemplated under the automobile financing arrangements with various connected persons of the Company in relation to the Continuing Connected Transactions such that the Company and Genius AFC are able to continue to conduct the Continuing Connected Transactions. These agreements can be classified into three main categories.

**1. *Sales and purchase of automobile components and products***

There are two agreements in relation to the sales and purchase of automobile components, being (a) the Automobile Components Sales and Purchase Agreement; and (b) the CBUs and CKDs Procurement Cooperation Agreement (collectively the “**Automobile Components and Products Agreements**”).

**2. *Provision and procurement of technological support services***

The R&D Services and Technology Licensing Agreement governs the provision and procurement of technological support services including the R&D for automobiles and key automobile parts, technical verification and testing, technical consultation services, technical support services, the new technologies and intelligent drive technologies, technology licensing, etc.

**3. *Automobile Financing Arrangements***

There are five agreements in relation to the automobile financing arrangements, being (a) the LYNK & CO Finance Cooperation Agreement; (b) the ZEEKR Finance Cooperation Agreement; (c) the Geely Holding Finance Cooperation Agreement; (d) the smart Finance Cooperation Agreement; and (e) the Lotus Finance Cooperation Agreement (collectively, the “**Finance Cooperation Agreements**”).

**3. Sales and purchase of automobile components and products**

**3.1 *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 from the effective date of the agreement to 31 December 2024.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Payment terms*

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

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

### *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 and the LYNK & CO Group; and (ii) purchase automobile components for use mainly in Geely brand vehicles and smart brand vehicles from the Geely Holding Group and the ZEEKR 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, whereas the battery products to be purchased by the Group will be mainly used in Geely brand vehicles and smart brand vehicles.

The sales and purchase of automobile components by the Group, the Geely Holding Group, the LYNK & CO Group and the ZEEKR 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 and the LYNK & CO Group, the selling price of the automobile components will be determined with reference to the prevailing market price of similar products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the purchase of automobile components by the Group where such automobile components are procured by the Geely Holding Group or the ZEEKR Group from other suppliers for onward selling to the Group, the selling price will be based on the actual costs incurred by the Geely Holding Group or the ZEEKR Group in procuring such automobile components. For automobile components that are manufactured by the Geely Holding Group or the ZEEKR 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 is within the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the 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 institution with the same qualification. The Components Pricing Analysis Report is prepared solely for internal reference by the parties to the Automobile Components Sales and Purchase Agreement. According to the Components Pricing Analysis Report, the lower quartile and upper quartile of the three-year weighted average cost-plus-margin fall within the range of cost-plus-margin of 24 comparable companies identified in the Components Pricing Analysis Report. As advised by the internationally renowned independent certified public accountant (the “**Independent CPA**”) who prepared the Components Pricing Analysis Report, it is in line with the industry norm to determine the cost-plus-margin with reference to the lower quartile and upper quartile of the weighted average cost-plus-margin of the comparable companies. The margin rate will be revised and adjusted on an annual or as-needed basis by the relevant parties taking into account the fact that the margin rate of comparable companies may change over time.

### *Internal control measures*

For the sale of automobile components to the Geely Holding Group and the LYNK & CO 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.

For the purchase of automobile components from the Geely Holding Group and the ZEEKR Group (collectively, 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) will 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 a quarterly 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 of respective years: (i) the subsidiaries of the Company will record and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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report the continuing connected transaction amounts to the Group's finance department (the "**Finance Department**") monthly. The finance manager of the Finance Department will then compile 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 subsidiaries of the Company that there is a significant increase in the transaction volume of continuing connected transactions in a particular month which may lead to exceeding the relevant annual caps; 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 purchase and/or the sales volume of the 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.

### *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 selling price of the automobile components, to be received from the Geely Holding Group and the LYNK & CO Group and 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 is within the lower quartile and 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 institution with the same qualification, subject to the annual review by the relevant parties. Given that the margin rate falls within the range of the cost-plus-margin of the Components Procurement Related Companies (defined below) as set out in the Components Pricing Analysis Report, the 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) the selling price of the automobile components will be collectively reviewed by the Company and Geely Holding 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 Company) to determine whether an updated margin rate

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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should be obtained, and any updated margin rate will be determined with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies in an updated transfer pricing analysis report;

- (iv) 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 a quarterly basis to ensure that the prices properly reflect the level of actual costs incurred by those parties in such transactions;
- (v) 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, that include (a) the subsidiaries of the Company will record and report the 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 transaction amounts 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 the finance manager of the Finance Department is informed by the relevant business department of the subsidiaries of the Company that there will be significant increase in the transaction volume which may exceed the relevant annual cap; or 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 purchase volume/sales volume of the 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; and (b) 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 purchase volume/sales volume of the automobile components or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and
- (vi) the independent non-executive Directors will conduct review on the transactions contemplated under the Automobile Components Sales and Purchase 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 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 prepared by an independent certified public accountant firm, and any updated margin rate will be determined with reference to an updated transfer pricing analysis report prepared by an independent certified public accountant firm).

### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the approved annual caps for sales and purchase of automobile components under each of the Automobile Components Sales

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Agreement, the Automobile Components Procurement Agreement and the ZEEKR Automobile Components Procurement Agreement for the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of automobile components by the Group under the Automobile Components Sales Agreement	642.0	11,011.6	7,582.2	1,398.2	13,750.9	24,644.7
Utilisation rate of annual caps				45.9%	80.1%	30.8% <i>(Note)</i>
Procurement of automobile components by the Group under the Automobile Components Procurement Agreement	868.7	4,575.6	3,141.1	33,591.6	6,779.3	7,930.1
Utilisation rate of annual caps				2.6%	67.5%	39.6% <i>(Note)</i>
Procurement of automobile components under the ZEEKR Automobile Components Procurement Agreement	328.9	1,910.9	1,287.7	628.1	3,749.4	3,941.6
Utilisation rate of annual caps				52.4%	51.0%	32.7% <i>(Note)</i>

*Note: The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.*

### *Proposed annual caps*

The proposed annual caps for the sale of automobile components by the Group (the “**Automobile Components Sales Annual Caps**”) are approximately RMB14,874.1 million, and RMB17,645.2 million for the years ending 31 December 2023 and 2024, respectively. The proposed annual caps for the purchase of automobile components by the Group (the “**Automobile Components Procurement Annual Caps**”) are approximately RMB17,691.2 million and RMB38,358.6 million for the years ending 31 December 2023 and 2024, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Automobile Components Sales Annual Cap for the year ending 31 December 2023 (“FY2023”) represents approximately 98.1% of the annualised sales amount of automobile components by the Group under the Automobile Components Sales Agreement based on the historical sales amount for the six months ended 30 June 2023. The Automobile Components Procurement Annual Cap for FY2023 represents approximately 199.7% of the aggregate annualised purchase amount of automobile components by the Group under both the Automobile Components Procurement Agreement and the ZEEKR Automobile Components Procurement Agreement based on the aggregate historical purchase amount for the six months ended 30 June 2023.

### **3.2 *The CBUs and CKDs Procurement Cooperation Agreement***

Major terms of the CBUs and CKDs Procurement Cooperation Agreement are summarised below:

#### *Term*

The CBUs and CKDs Procurement Cooperation Agreement has a term of three years from 1 January 2024 to 31 December 2026.

#### *Payment terms*

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

Taking into account that (i) the credit period under the CBUs and CKDs Procurement Cooperation Agreement is within the range of credit period offered to the Group by the independent third party suppliers; and (ii) the overdue interest rate is calculated based on the loan interest rate of the PBOC over the same period, we concur with the view of the Company’s management that the payment terms of the CBUs and CKDs Procurement Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders.

#### *Subject matter*

Pursuant to the CBUs and CKDs Procurement Cooperation Agreement, the Group conditionally agreed to purchase the CBUs and CKDs that are mainly used for ZEEKR brand vehicles from the Geely Holding Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The purchase of CBUs and CKDs by the Group under the CBUs and CKDs Procurement Cooperation Agreement 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 Company than terms available from (as applicable) the independent third parties.

### *Pricing basis*

Pursuant to the CBUs and CKDs Procurement Cooperation Agreement, the CBUs and CKDs will be sold to the Group at prices calculated on a cost-plus basis according to the actual costs of manufacturing the products by the Geely Holding Group plus an agreed margin rate.

The CBUs refer to fully functional vehicles that meet relevant corporate standards, industry requirements and regulatory requirements and can be sold directly to customers. On the other hands, CKDs refer to all parts and components in a disassembled state that can be assembled into CBUs. Both CBUs and CKDs follow a consistent pricing policy because of their similar nature.

The margin rate will be determined by the Company and Geely Holding after arm's length negotiation with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of comparable companies as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification.

According to the transfer pricing analysis report issued on 31 July 2023 for the CBUs and CKDs Procurement Cooperation Agreement (the "**Purchase Pricing Analysis Report**") which was prepared by the Independent CPA, the lower quartile and upper quartile of the three-year weighted average cost-plus-margin fall within the range of cost-plus-margin of 14 comparable companies identified for raw materials and six comparable companies identified for other operating expenses, as stated in the Purchase Pricing Analysis Report. As advised by the Independent CPA, it is in line with the industry norm to determine the cost-plus-margin with reference to the lower quartile and upper quartile of the weighted average cost-plus-margin of the comparable companies.

### *Internal control measures*

The Group will monitor the relevant costs and expenses to ensure that the purchase price of the CBUs and CKDs will follow the pricing policy as set out in the CBUs and CKDs Procurement Cooperation Agreement. The Company will also negotiate the terms of such transactions with Geely Holding to ensure the purchase price properly reflect the actual costs incurred by Geely Holding in such transactions. The Company and Geely Holding will review 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) to determine whether an updated transfer pricing analysis report should be obtained for the determination of the margin rate. The margin rate will be determined with reference to 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.



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The Group will implement the following measures to ensure that the annual transaction amounts under the CBUs and CKDs Procurement Cooperation Agreement do not exceed the proposed annual caps for respective years: (i) 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 subsidiaries of the Company that there will be 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 cap at any time during the year, the Group will either restrict the purchase volume of the CBUs and CKDs to ensure that the respective annual caps under the CBUs and CKDs Procurement Cooperation 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.

### *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 CBUs and CKDs Procurement Cooperation Agreement and our review of the internal control procedures that include:

- (i) the Group will monitor the relevant costs and expenses to ensure that the purchase price of the CBUs and CKDs will follow the pricing policy as set out in the CBUs and CKDs Procurement Cooperation Agreement. The Company will also negotiate the terms of such transactions with Geely Holding to ensure the purchase price properly reflects the actual costs incurred by Geely Holding in such transactions;
- (ii) the selling price of the CBUs and CKDs will be calculated on a cost-plus basis according to the actual costs of manufacturing the products by the Geely Holding Group plus an agreed margin rate which is within the lower quartile and 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 institution with the same qualification, subject to the annual review by the relevant parties. Given that the Direct Materials Margin Rate (defined below) falls within the range of the cost-plus-margin of the Relevant Raw Material Companies (defined below) as set out in the Purchase Pricing Analysis Report and the Non-Direct Materials Margin Rate (defined below) falls within the range of the cost-plus-margin of the Relevant Vehicle Manufacturing Companies (defined below) as set out in the Purchase Pricing Analysis Report, the margin rates adopted by the Group in calculating the selling price of the CBUs and CKDs ensures that the price of the CBUs and CKDs will be at a margin comparable to the margin adopted in the market by comparable companies engaged in similar business;

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- (iii) the selling price of the CBUs and CKDs will be collectively reviewed by the Company and Geely Holding 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) to determine whether updated margin rates should be obtained, and any updated margin rates will be determined with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies in an updated transfer pricing analysis report;
- (iv) the Group has measures in place to ensure that the annual transaction amounts under the CBUs and CKDs Procurement Cooperation Agreement will not exceed the proposed annual caps of respective years, that include (a) the subsidiaries of the Company will record and report the 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 transaction amounts 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 the finance manager of the Finance Department is informed by the relevant business department of the subsidiaries of the Company that there will be significant increase in the transaction volume which may exceed the relevant annual cap; or the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual cap at any time during the year, the Group will either restrict the purchase volume of the CBUs and CKDs to ensure that the respective annual caps under the CBUs and CKDs Procurement Cooperation 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; and (b) 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 purchase volume of the CBUs and CKDs 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 CBUs and CKDs Procurement Cooperation 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 proposed annual caps of the CBUs and CKDs Procurement Cooperation 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 of the CBUs and CKDs or re-complying with disclosure and independent shareholders'

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approval requirements under the Listing Rules); (ii) the purchase price of the CBUs and CKDs will be determined on a cost-plus basis according to the actual costs of manufacturing the products by the Geely Holding Group plus agreed margin rates for direct materials and non-direct materials respectively, which (subject to annual review) are determined with reference to the Purchase Pricing Analysis Report prepared by an independent certified public accountant firm, and any updated margin rate will be determined with reference to an updated transfer pricing analysis report prepared by an independent certified public accountant firm.

### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the approved annual caps for the purchase of CKDs and automobile components by the Group from the Geely Holding Group under the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement for the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	<i>RMB</i> <i>million</i> (Audited)	<i>RMB</i> <i>million</i> (Audited)	<i>RMB</i> <i>million</i> (Unaudited)	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>	<i>RMB</i> <i>million</i>
Purchase of CKDs and automobile components from the Geely Holding Group by the Group	4,173.8	36,046.9	17,435.7	13,042.1	44,855.6	58,836.5
Utilisation rate of annual caps				32.0%	80.4%	29.6% <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

### *Proposed annual caps*

The proposed annual caps for the purchase of CBUs and CKDs (the “**CBUs and CKDs Procurement Annual Caps**”) are approximately RMB70,380.0 million, RMB116,082.7 million and RMB154,897.7 million for the three years ending 31 December 2026.

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### ***3.3 Reasons for and benefits of entering into the Automobile Components Sales and Purchase Agreement and the CBUs and CKDs Procurement Cooperation Agreement***

The reasons for and benefits of entering into each of the Automobile Components and Products Agreements are stated in the Letter from the Board.

The main reasons can be summarized to include (a) the Group is able to continue to conduct the transactions in relation to the sales and purchase of automobile components, and also the purchase of the CBUs and CKDs that are mainly used for the ZEEKR brand vehicles at arm's length basis with reference to market price and within its ordinary and usual course of business with various connected persons of the Company under the terms of each of the Automobile Components and Products Agreements upon expiry of the existing similar agreements; (b) the Group is able to secure a stable and reliable source of materials for the manufacturing of automobile components (including electric batteries) by leveraging its longstanding relationships with the Geely Holding Group, the LYNK & CO Group and the ZEEKR Group; (c) procurement from the Geely Holding Group and the ZEEKR Group would enable the Group to benefit from lower procurement costs and enhance the procurement efficiency by shifting from purchasing from multiple suppliers, thereby reducing administrative expenses; and (d) allowing ZEEKR to adopt an asset-light operational model by securing a stable supply of the ZEEKR brand vehicles.

#### *Our view*

Having considered that:

- (i) the selling prices of the automobile components under each of the Automobile Components and Products Agreements 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, and the ZEEKR 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 or product (including the CBUs and CKDs) is not available, the selling price of such automobile component or product 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 lower quartile and upper quartile of the three-year weighted average cost-plus-margin rate of the comparable companies providing similar products as stated in a pricing analysis report prepared by an independent certified public accountant or institution with the same qualification;
- (iii) the Group has put in place internal control measures to monitor the expected selling prices of the automobile components and products (including the CBUs and CKDs) under each of the Automobile Components and Products Agreements will be conducted on an arm's length basis and on normal commercial terms; and

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- (iv) the sales and purchases of the automobile components and products (including the CBUs and CKDs) under each of the Automobile Components and Products Agreements 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 of each of the Automobile Components and Products Agreements (which include (a) the Automobile Components Sales and Purchase Agreement and (b) the CBUs and CKDs Procurement Cooperation 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 each of the Automobile Components and Products Agreements, please refer to the section below.

### 3.5 *Fairness and reasonableness of the proposed annual caps under each of the Automobile Components and Products Agreements*

In assessing the fairness and reasonableness of the proposed annual caps under each of the Automobile Components and Products Agreements, 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.

- (i) *Proposed annual caps under the Automobile Components Sales and Purchase Agreement*

Proposed annual caps in relation to the sale of automobile components by the Group (the Automobile Components Sales Annual Caps)

	<b>Proposed annual caps for the year ending 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'million</i>	<i>RMB'million</i>
Automobile Components Sales Annual Caps	14,874.1	17,645.2

As set out in the Letter from the Board, the Automobile Components Sales Annual Caps (which represent the sale of automobile components by the Group to the Geely Holding Group and the LYNK & CO Group) were determined with reference to (i) the projected units of each model of automobile components (the "Sales Products") for use in the LYNK & CO brand vehicles, the ZEEKR brand vehicles and the Geely Holding-owned brand vehicles (collectively, the "Sales Products Brands Vehicles") for the two years ending 31 December 2024, which indicate an increase in the total projected unit sales of automobile components exceeding 20% on a year-on-year basis in 2024; (ii) the projected unit sales of the Sales Products Brands Vehicles that are manufactured with the aforesaid automobile components for the two years ending 31 December 2024, which is based on the sales plans determined by the Group and the Geely Holding

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Group, respectively; and (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 the two years ending 31 December 2024, which is expected to experience a slight decrease of no more than 10% on a year-on-year basis in 2024.

In our assessment of the fairness and reasonableness of the Automobile Components Sales Annual 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 the two years ending 31 December 2024; and (ii) the sales plan of the Sales Products Brands Vehicles which are manufactured with the Sales Products for the two years ending 31 December 2024.

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 Automobile Components Sales Annual Caps:

- the projected sales volume of the Sales Products (for the use in the manufacturing of the Sales Products Brands Vehicles) for each of the two years ending 31 December 2024 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 the two years ending 31 December 2024 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.

*FY2022 vs FY2023:* We note that the Automobile Components Sales Annual Cap for FY2023 represents an increase of approximately 35% as compared to the historical sales amount for FY2022. Such increase is mainly due to the fact that the estimated sales volume of automobile components for the Group under the Automobile Components Sales and Purchase Agreement is set to grow by more than 30% in 2023 as compared with the historical sales volume in 2022. We consider such increase to be reasonable for the purpose of determining the annual cap given that the annualised actual sales amount of the automobile components for the six months ended 30 June 2023 increases by approximately 38% as compared to the sales amount for FY2022.

*FY2023 vs FY2024:* We note that the Automobile Components Sales Annual Cap for the year ending 31 December 2024 (“**FY2024**”) represents an increase of approximately 19% as compared to the annual cap for FY2023. We note from the underlying calculations of the Automobile Components Sales Annual Caps that the increase of the Automobile Components Sales Annual Cap for FY2024 as

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compared to that of FY2023 is mainly attributable to the increase in the projected sales volume of electric battery packs to be used in certain Sales Products Brands Vehicles for FY2024. We consider such increase to be reasonable given that the estimated sales volume of the Sales Products for FY2024 is expected to increase by more than 20% as compared with the estimated sales volume in FY2023.

We further understand from the management of the Company that the projected sales volume of the Sales Products for the two years ending 31 December 2024 is a reflection of the sales plan of the Sales Products Brands Vehicles and the expected manufacturing needs of the Sales Products Brands Vehicles that will be equipped with the Sales Products. Taking into account the above, we consider that the estimated sales volume of the Sales Products in the underlying calculation of the Automobile Components Sales Annual Caps is fair and reasonable; and

- the unit selling price of the Sales Products was determined with reference to either the historical price and/or prevailing market price 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 38 types of automobile components estimated to be sold under the Automobile Components Sales and Purchase Agreement. We consider that the coverage of our selected samples are sufficient, fair and representative for our due diligence purpose. From our review, we note that the estimated unit selling price of the selected types of the Sales Products is comparable to the prevailing market price of similar automobile components available from independent suppliers to the Group or as quoted in publicly available information. Hence, we are of the view that the sales of automobile components are conducted on pricing term no less favourable to the Group than those offered to the Group by other independent third parties.

Proposed annual caps in relation to the purchase of automobile components by the Group (the Automobile Components Procurement Annual Caps)

	<b>Proposed annual caps for the year ending 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>RMB'million</i>	<i>RMB'million</i>
Automobile Components Procurement Annual Caps	17,691.2	38,358.6

As set out in the Letter from the Board, the Automobile Components Procurement Annual Caps (which represent the purchase of automobile components by the Group from the Geely Holding Group and the ZEEKR Group) were determined with reference to (i) the projected number of units of each type of automobile components (the “**Procurement Products**”) for the use in the Geely brand vehicles and the smart brand vehicles (collectively, the “**Procurement Products Brands Vehicles**”); which represent

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a significant increase in the projected purchase volume of automobile components exceeding 100% on a year-on-year basis in 2024; (ii) 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. Such projected purchase price is expected to decrease by no more than 10% on a year-on-year basis; and (iii) the margin rate which is within the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies as stated in the Components Pricing Analysis Report prepared by an independent certified public accountant for the sole purpose of calculating the amount of annual cap.

In our assessment of the fairness and reasonableness of the Automobile Components Procurement Annual 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 the two years ending 31 December 2024; (ii) the sales plan of the Procurement Products Brands Vehicles which are manufactured with the Procurement Products for the two years ending 31 December 2024; and (iii) the Components Pricing Analysis Report 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 Automobile Components Procurement Annual Caps:

- the projected purchase volume of the Procurement Products (for the use in the manufacturing of the Procurement Products Brands Vehicles) for each of the two years ending 31 December 2024 are 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.

*FY2022 vs FY2023:* We note that the Automobile Components Procurement Annual Cap for FY2023 represents an increase of approximately 173% as compared to the historical sales amount for FY2022. We consider such increase is fair and reasonable given that (i) the amount of automobile components used in electric vehicles and electric batteries are expected to increase by more than 100% in FY2023 as the projected sales volume of electric vehicles is expected to increase significantly in FY2023; and (ii) the demand for automobile components is further projected to increase by more than 40% in FY2023 as compared to FY2022, as driven by the expected increase in demand for automobile components such as batteries and components for charging station for use in the Geely brand vehicles.

*FY2023 vs FY2024:* We note from the underlying calculations of the Automobile Components Procurement Annual Caps that the increase in the Automobile Components Procurement Annual Cap for FY2024 of approximately 117% as



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compared to that for FY2023 is mainly attributable to the increase in the projected purchase volume of a variety of Procurement Products (which mainly relate to electric vehicle and battery related components and other automobile ancillary components for charging station), with a projected year-on-year increase of more than 70% in 2024, for different vehicle models that include those under the Geely brand vehicles and the smart brand vehicles. We understand from management of the Company that the increase in purchase volume of Procurement Products for FY2024 as compared to that for FY2023 is further contributed by the transformation strategy adopted by the Group towards new energy.

Based on our discussion with the management of the Company, we understand that the sales plan of the Procurement Products Brands Vehicles for the two years ending 31 December 2024 was 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 the two years ending 31 December 2024 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 Automobile Components Procurement Annual Caps is fair and reasonable;

- the unit selling price of the Procurement Products was mainly based on (i) the projected procurement costs incurred by the Geely Holding Group or the ZEEKR Group (for automobile parts and components that are procured by the Geely Holding Group or the ZEEKR 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 price 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 to the estimated unit selling price of the Procurement Products, we have selected five samples randomly out of approximately 52 types of automobile components estimated to be purchased under the Automobile Components Sales and Purchase Agreement. We consider that the coverage of our selected samples are sufficient, fair and representative for our due diligence purpose. From our review, we note that the projected unit selling price of the selected types of the Procurement Products is comparable to the prevailing market price of similar automobile components available from independent suppliers to the Group or as quoted in publicly available information. Hence, we are of the view that the purchase of automobile components are conducted on pricing term no less favourable to the Group than those offered to the Group by other independent third parties;

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- where a prevailing market price of a Procurement Product is not available (for automobile parts and components that are manufactured by the Geely Holding Group, or the ZEEKR 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 a margin rate is adopted by the Group in calculating the unit selling prices of the relevant Procurement Products for the two years ending 31 December 2024 (the “**Procurement Products Margin Rate**”) 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 (details of our assessment of the margin rate are set out below).

The Procurement Products Margin Rate is determined with reference to the range between the lower quartile and upper quartile 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;

- 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 Procurement Products, we note that the Independent CPA had identified comparable companies (the “**Components Procurement Related Companies**”) that provide similar automobile components and evaluated their cost-plus-margin. We note that the Procurement Products Margin Rate falls within the range and is the same as the median of the cost-plus-margin of the Components Procurement Related Companies as set out in the Components Pricing Analysis Report. As such, we consider that the Procurement Products 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

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Procurement Products Margin Rate used in calculating the purchase price of the Procurement Products based on cost-plus-margin approach when prevailing market prices of the Procurement Products are not available.

*Our view*

Taking into consideration that (i) the Automobile Components Sales Annual Caps and the Automobile Components Procurement Annual 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 increase in the proposed annual caps is mainly driven by the estimated increase in demand of the relevant brand vehicles, we consider that the Automobile Components Sales Annual Caps and the Automobile Components Procurement Annual 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 to set the Automobile Components Sales Annual Caps and the Automobile Components Procurement Annual Caps at the proposed levels. However, as the Automobile Components Sales Annual Caps and the Automobile Components Procurement Annual 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 2024, we express no opinion as to how closely the transactions contemplated under the Automobile Components Sales and Purchase Agreement shall correspond to the Automobile Components Sales Annual Caps and the Automobile Components Procurement Annual Caps respectively.

- (ii) *Proposed annual caps under the CBUs and CKDs Procurement Cooperation Agreement (the CBUs and CKDs Procurement Annual Caps)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
CBUs and CKDs Procurement			
Annual Caps	70,380.0	116,082.7	154,897.7

As stated in the Letter from the Board, the CBUs and CKDs Procurement Annual Caps (which represent the purchase of CBUs and CKDs that are mainly used for the ZEEKR brand vehicles by the Group from the Geely Holding Group) were determined with reference to: (i) the estimated number of units of CBUs and CKDs in relation to the existing and new vehicle models under the ZEEKR brand, representing a year-on-year increase in the estimated number of purchase of more than 30% in both years ending 31 December 2025 (“FY2025”) and 2026 (“FY2026”). These estimates are based on the projected unit sales of these vehicles determined by the management of the Group for the three years ending 31 December 2026 after taking into consideration the strong market demand for the ZEEKR brand vehicles and the expected introduction of new

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vehicle models in the coming years; (ii) the estimated costs of manufacturing CBUs and CKDs by the Geely Holding Group in relation to the existing and expected new vehicle models under the ZEEKR brand for the three years ending 31 December 2026, which are expected to decrease by less than 5% in both 2025 and 2026. The reduction is attributed to the economic scale achieved through increased production volume; and (iii) the margin rates calculated on top of the cost of raw materials and other operating expenses respectively with reference to the lower quartile and upper quartile of three-year weighted average of cost-plus-margin of the comparable companies as stated in the Purchase Pricing Analysis Report. Such margin rates are only for the purpose of calculating the proposed annual caps and should not be regarded as fixed rates for the transactions throughout the term of the CBUs and CKDs Procurement Cooperation Agreement.

In our assessment of the fairness and reasonableness of the CBUs and CKDs Procurement Annual 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 CBUs and CKDs for use in the ZEEKR brand vehicles for the three years ending 31 December 2026; (ii) the sales plan of the ZEEKR brand vehicles for the three years ending 31 December 2026; and (iii) the Purchase Pricing Analysis Report 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 CBUs and CKDs Procurement Annual Caps:

- the purchase volume of CBUs and CKDs for FY2024, FY2025 and FY2026 are mainly determined based on the sales plan of the ZEEKR brand vehicles for the respective years which set out the projected sales volume of the ZEEKR brand vehicles equipped with the CBUs and CKDs.

We note from the underlying calculations of the CBUs and CKDs Procurement Annual Caps that the increase in the CBUs and CKDs Procurement Annual Caps for FY2024 to FY2026, when compared to the historical transaction amount for FY2022 is mainly attributable to the expected increase in purchase volume of CBUs and CKDs under the ZEEKR brand as a result of the surge in demand for new models that are expected to be launched in the years of 2023, 2024, 2025 and 2026. We further note from the underlying calculations that the new vehicle models expected to be launched in 2023 to 2026 were all included in the projection of CBUs and CKDs Procurement Annual Caps. The CBUs and CKDs Procurement Annual Cap for FY2024 represents an increase of approximately 102% as compared with the annualised historical transaction amount for the six months ended 30 June 2023. The annual caps for FY2025 and FY2026 further increase by approximately 65% and approximately 33% on a year-on-year basis. We consider such increase for the annual caps for FY2024 to FY2026 to be reasonable given that the increase for FY2024 to FY2026 encompasses the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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accumulative effects of increase in purchase volume of the CBUs and CKDs arising from the launch of new ZEEKR brand vehicles in the years of 2023 to 2026.

Based on our discussion with the management of the Company, we understand that the sales plan of the ZEEKR brand vehicles for the three years ending 31 December 2026 was determined with reference to factors including expected customer demand, sales volume targets, product life cycle, strategy and business performance of the ZEEKR brand vehicles and possible market fluctuations. We understand from the management of the Company that the projected purchase volume of CBUs and CKDs for the three years ending 31 December 2026 is a reflection of the sales plan of the ZEEKR brand vehicles and represents the Group's best estimation of the expected manufacturing needs of the ZEEKR brand vehicles; and

- the selling price of the CBUs and CKDs will be determined based on the estimated manufacturing cost plus an estimated cost-plus-margin. In this regard, the Company has adopted a margin rate for direct materials (the “**Direct Materials Margin Rate**”) and another margin rate for expenses other than direct material costs (the “**Non-Direct Materials Margin Rate**”) in calculating the unit selling prices of the CBUs and CKDs for the three years ending 31 December 2026, both of which are determined with reference to the margin rates set out in the Purchase Pricing Analysis Report prepared by the Independent CPA for the purpose of calculating the amount of annual caps (details of our assessment of the margin rates are set out below).

Based on our review of the Purchase Pricing Analysis Report furnished by the Independent CPA prepared solely for the internal reference by the parties to the CBUs and CKDs Procurement Cooperation Agreement (which we consider a reputable source of reference), we note that the Independent CPA had distinguished the contract manufacturing process into procurement activities and production and assembly activities, and identified (a) comparable companies principally engaged in procurement activities relating to raw material components (the “**Relevant Raw Material Companies**”), to reflect the margin rate relating to the procurement activities in the contract manufacturing process (which involve raw material cost component); and (b) comparable companies principally engaged in the manufacturing of vehicle and automobile components (the “**Relevant Vehicle Manufacturing Companies**”), to reflect the margin rate relating to production and assembly activities in the contract manufacturing process. We note that the Direct Materials Margin Rate adopted in the underlying calculations of the unit selling prices (for direct materials) of the relevant CBUs and CKDs falls within the range and is the same as the median of the cost-plus-margin of the Relevant Raw Material Companies as set out in the Purchase Pricing Analysis Report. As such, we consider that the Direct Materials Margin Rate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. We note that the Non-Direct Materials Margin Rate adopted in the underlying calculations of the unit selling prices of the relevant CBUs and CKDs (for expenses other than direct

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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materials costs) falls within the range and is similar to the median of the cost-plus-margin of the Relevant Vehicle Manufacturing Companies as set out in the Purchase Pricing Analysis Report. As such, we consider that the Non-Direct Materials Margin Rate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. In respect of our due diligence on the qualification and experience of the Independent CPA, please refer to the paragraph headed “the Automobile Components Procurement Annual Caps” 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 Purchase Pricing Analysis Report; and (ii) consider that the Purchase Pricing Analysis Report is an appropriate reference for determining the Direct Materials Margin Rate and Non-Direct Materials Margin Rate used in calculating the selling price of the CBUs and CKDs based on cost-plus-margin approach.

Our view

Taking into consideration that (i) CBUs and CKDs Procurement Annual Caps are determined with reference to the sales plan the ZEEKR brand vehicles at prices based on estimated manufacturing cost plus an estimated cost-plus-margin with reference to the Purchase Pricing Analysis Report, and (ii) the increase in the proposed annual caps is mainly due to the expected increase in demand for new models of the ZEEKR brand vehicles to be launched from 2023 to 2026, we consider that the CBUs and CKDs Procurement Annual 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 to set the CBUs and CKDs Procurement Annual Caps at the proposed levels. However, as the CBUs and CKDs Procurement Annual 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 CBUs and CKDs Procurement Cooperation Agreement shall correspond to the CBUs and CKDs Procurement Annual Caps.

#### **4. Provision of technological support services**

##### ***The R&D Services and Technology Licensing Services Agreement***

The major terms of the R&D Services and Technology Licensing Services Agreement are summarized below.

##### ***Term***

From 1 January 2024 to 31 December 2026

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Payment terms*

All payments in respect of the R&D and related technological support services rendered under the R&D Services and Technology Licensing Agreement shall be generally settled within 90 days (or other period agreed by the parties to the R&D Services and Technology Licensing Agreement) of invoice in cash, wire transfer, acceptance or any other payment method mutually agreed by the parties to the R&D Services and Technology Licensing Agreement. Any interest charged on overdue payment shall be calculated by reference to the loan interest rate of the PBOC over the same period.

Taking into account that (i) the credit period under the R&D Services and Technology Licensing Agreement is within the range of credit period offered to the Group by the independent third party suppliers; and (ii) the overdue interest rate is calculated based on the loan interest rate of the PBOC over the same period, we concur with the view of the Company's management that the payment terms of the R&D Services and Technology Licensing Agreement are fair and reasonable and in the interests of the Company and the Shareholders.

### *Subject matter*

Pursuant to the R&D Services and Technology Licensing Agreement, (i) the Group conditionally agreed to provide to the Geely Holding and Related Party Groups 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.; and (ii) the Group conditionally agreed to procure from 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.

### *Pricing basis*

The services or licensing fees under the R&D Services and Technology Licensing Agreement shall be determined based on (i) market rates for comparable R&D services or technology licensing services; or (ii) cost-plus basis if there are no comparable market rates. For R&D services which have no market price, the pricing will be determined based on the costs of providing the relevant service 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 18 comparable companies providing similar services as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the "**R&D Services Pricing Analysis Report**"). For technology licensing services, the pricing will be determined based on a percentage of revenue of each vehicle utilising the relevant vehicle platform technology sold based on a licensing fee rate with reference to the range between the lower quartile and the upper quartile of the three-year weighted average licensing fee rates of 11 samples of comparable technology licensing agreements as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the "**Licensing Fees Pricing Analysis Report**").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Internal control measures*

In terms of the R&D and technology licensing services provided by the Group to the Geely Holding and Related Party Groups, the finance manager of the Finance Department will compare the scope of the services and rates with the existing similar transactions with the independent suppliers of the Group (if any) or make reference to transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification to determine the market rates for the R&D services or technology licensing services. If there are no such market rates, the finance manager of the Finance Department will review the relevant cost items incurred by the Group for the relevant R&D services and technology licensing services performed on an annual basis (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) and ensure the accuracy of such costs.

For the licensing of the relevant vehicle platform technologies, the finance manager of the Finance Department will review the selling price of the vehicles utilising relevant vehicles platform technologies being licensed and the cost of the relevant vehicles platform technologies to the total manufacturing cost of the respective vehicle models on an annual basis (or more frequently if it is determined necessary) to ensure the accuracy of the licensing fees.

The Company and each of the Geely Holding and Related Party Groups will determine the margin rate and licensing fee rate of R&D services and technology licensing services with reference to the respective transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification. The finance manager of the Finance Department will review the scope of the R&D services and technology licensing services on an annual basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis reports should be obtained for the determination of the margin rate and licensing fee rate.

The Group will implement the following measures to ensure that the annual transaction amounts under the R&D Services and Technology Licensing Agreement do not exceed the proposed annual caps of respective years: (i) 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 compile the statistics on the transaction amounts 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 subsidiaries of the Company that there will be significant increase in the transaction volume of continuing connected transactions in a particular month which may lead to exceeding the relevant annual caps; or (ii) the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual cap at any time during the year, the Group will either restrict the volume of R&D services and technology licensing to ensure that the respective annual caps under the R&D Services and Technology Licensing 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *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 R&D Services and Technology Licensing 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 suppliers or making reference to transfer pricing analysis report prepared by the Independent CPA, the Group will be able to ensure that the rate of R&D services and technology licensing services is 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 review the relevant cost items incurred by the Group for the relevant R&D services and technology licensing services performed on an annual basis (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) and ensure the accuracy of such costs. For the licensing of the relevant vehicle platform technologies, the finance manager of the Finance Department will review the selling price of the vehicles utilising relevant vehicles platform technologies being licensed and the cost of the relevant vehicle platform technologies to the total manufacturing cost of the respective vehicle models on an annual basis (or more frequently if it is determined necessary) to ensure the accuracy of the licensing fees;
- (iii) the pricing of R&D services will be calculated on a cost-plus basis based on the costs of providing the relevant service plus a margin rate while the pricing of technology licensing services will be determined based on a percentage of revenue of each vehicle utilising the relevant vehicle platform technology plus a margin rate. Both of the margin rates are with reference to the range within the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies as stated in the transfer pricing analysis reports prepared by an independent certified public account or institution with the same qualification, subject to the annual review by the relevant parties. Given that the margin rates fall within the range of the cost-plus-margin as set out in the R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report, the margin rate adopted by the Group in calculating the pricing of R&D services and the technology licensing services ensures 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 scope of R&D services and the technology licensing services will be reviewed on an annual basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis reports should be obtained, and any updated margin rates will be determined with reference to the lower quartile and upper quartile of the three-year weighted average cost-plus-margin of the comparable companies in an updated transfer pricing analysis report;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the Group has measures in place to ensure that the annual transaction amounts under the R&D Services and Technology Licensing Agreement will not exceed the proposed annual caps of respective years, that include (a) the subsidiaries of the Company will record and report the 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 transaction amounts 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 the finance manager of the Finance Department is informed by the relevant business department of the subsidiaries of the Company that there will be significant increase in the transaction volume in a particular month which may exceed the relevant annual cap; or the utilisation rate of the applicable annual cap reaches a substantial majority of the proposed annual cap at any time during the year, the Group will either restrict the volume of the R&D services and technology licensing services to ensure that the respective annual caps under the R&D Services and Technology Licensing 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; and (b) 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 R&D services and technology licensing services or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules);
- (vi) the independent non-executive Directors will conduct review on the transactions contemplated under the R&D Services and Technology Licensing 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 proposed annual caps of the R&D Services and Technology Licensing 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 volume of the R&D services and technology licensing services or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and (ii) the pricing of the R&D services and technology licensing 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 R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report prepared by an independent certified public accountant firm, and any updated margin rate will be determined with reference to an updated transfer pricing analysis report prepared by an independent certified public accountant firm.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the approved annual caps for the R&D services and technology licensing fees receivable and payable by the Group pursuant to the Existing R&D Services and Technology Licensing Agreement for the three years ending 31 December 2023 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the six months ended 30 June	Approved annual caps for the year ended/ending 31 December		
	2021	2022	2023	2021	2022	2023
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Audited)	(Audited)	(Unaudited)			
Service fees receivable from the Geely Holding Group and LYNK & CO Group for the R&D services and technology licensing provided by the Group	4,262.6	8,449.1	2,629.4	8,868.7	9,568.2	10,053.1
Utilisation rate of annual caps				48.1%	88.3%	26.2% <sup>(Note)</sup>
Service fees payable to the Geely Holding Group for the R&D services and technology licensing provided by the Geely Holding Group	2,144.0	3,924.9	2,058.5	2,709.2	4,027.9	4,364.0
Utilisation rate of annual caps				79.1%	97.4%	47.2% <sup>(Note)</sup>

*Note:* The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.

### *Proposed annual caps*

The proposed annual caps (the “**Technology Provision Annual Caps**”) of the services and licensing fees receivable by the Group under the R&D Services and Technology Licensing Agreement for the three years ending 31 December 2026 are approximately RMB12,601.4 million, RMB9,845.7 million and RMB8,243.8 million, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The proposed annual caps (the “**Technology Procurement Annual Caps**”) of the services and licensing fees payable by the Group under the R&D Services and Technology Licensing Agreement for the three years ending 31 December 2026 are approximately RMB1,891.3 million, RMB2,413.1 million and RMB2,468.7 million, respectively.

### *Reasons for and benefits of entering into the R&D Services and Technology Licensing Agreement*

The reasons for and benefits of entering into the R&D Services and Technology Licensing Agreement are stated in the Letter from the Board.

The Directors consider that entering into the R&D Services and Technology Licensing Agreement will enhance synergy and co-sharing of technology among the parties, thereby increasing the efficiency of the Group’s R&D efforts; and such cooperation facilitates technology upgrade that further enhances the Group’s development, which in turn bolsters the competitiveness of both the Geely brand vehicles and the ZEEKR brand vehicles.

### *Our view*

Having considered that:

- (i) the services and the licensing fees to be payable or receivable by the Group under the R&D Services and Technology Licensing Agreement will be determined with reference to the prevailing market price for similar services with independent suppliers or with reference to the transfer pricing analysis reports prepared by an independent certified public accountant;
- (ii) the Group has put in place internal control measures to monitor the services and the licensing fees to be payable or receivable by the Group under the R&D Services and Technology Licensing Agreement will be based on arms’ length basis and on normal commercial terms; and
- (iii) the provision and the procurement of technological support services under the R&D Services and Technology Licensing 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 and the R&D Services and Technology Licensing 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 Technology Provision Annual Caps and the Technology Procurement Annual Caps, please refer to the section below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Fairness and reasonableness of the Technology Provision Annual Caps and the Technology Procurement Annual Caps*

	Proposed annual caps for the year ending 31 December		
	2024	2025	2026
	RMB'million	RMB'million	RMB'million
Technology Provision Annual Caps	12,601.4	9,845.7	8,243.8
Technology Procurement Annual Caps	1,891.3	2,413.1	2,468.7

As stated in the Letter from the Board, the Technology Provision Annual Caps and the Technology Procurement Annual Caps were determined with reference to: (i) projected total staff hours required for each R&D and technology support project; (ii) projected hourly cost for the R&D staff based on historical cost or current market hourly wages; (iii) other relevant costs incurred for the R&D and technology support projects such as material costs; (iv) estimated stage of completion of the R&D and technology support projects for the period from 1 January 2024 to 31 December 2026, with a range of 15% to 100% in 2024 and 2025 respectively and a range of 5% to 100% in 2026. In 2024, it is expected that approximately 45% of the total number of R&D projects will reach a completion stage of 50% or higher. In 2025 and 2026, these percentages are projected to be 30% and 38%, respectively; (v) the range of margin rates as stated in the R&D Services Pricing Analysis Report over the estimated cost; (vi) the projected unit sales of vehicles utilising relevant vehicle platform technologies licensed to the Group and the ZEEKR Group, which represent an estimated increase of more than 30% in both 2024 and 2025 respectively while the growth rate is expected to be approximately 8% in 2026; (vii) the range of licensing fee rates as stated in the Licensing Fees Pricing Analysis Report for relevant vehicle platform technologies; and (viii) the estimated average platform rate for relevant vehicle platform technologies licensed to the Group for the manufacturing of Geely brand vehicles. The aforementioned margin rate, licensing fee rate and the estimated platform rate are solely for the purpose of calculating the proposed annual caps above and should not be regarded as fixed rates for the transactions throughout the term of the R&D Services and Technology Licensing Agreement.

As set out in the Letter from the Board, the increase in the Technology Procurement Annual Caps for FY2025 and FY2026 is driven by the projected rise in vehicle platform technologies licensed by the Geely Holding Group as a result of the expected increase in the sales volume of the Geely brand vehicles and the ZEEKR brand vehicles.

In assessing the fairness and reasonableness of the Technology Provision Annual Caps and the Technology Procurement Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (a) the list of technical projects of the relevant parties which are expected to require technology support from the Group; (b) the list of technical projects of the Group which are expected to require technology support from the Geely Holding Group and the ZEEKR Group during the term of the R&D Services and Technology Licensing Agreement; and (c) the R&D Services Pricing Analysis Report prepared by the Independent CPA. We note that the Technology Provision Annual Caps are attributable to R&D services fees whilst the Technology Procurement Annual Caps are attributable to both R&D services fees and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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licensing fees. The R&D services fees were mainly determined with reference to (i) the estimated man-hour required for each of the projects; (ii) the estimated cost in the provision of technology support for each of the projects that include staff costs and other service costs; (iii) a margin rate with reference to the R&D Services Pricing Analysis Report; and (iv) the estimated progress of each of the projects during the term of the R&D Services and Technology Licensing Agreement. The licensing fees were mainly determined with reference to (i) the projected unit sales of vehicles utilising relevant vehicle platform technologies licensed to the Group and the ZEEKR Group; (ii) a licensing fee rate with reference to the Licensing Fees Pricing Analysis Report; and (iii) the estimated platform rate for relevant vehicle platform technologies licensed to the Group for manufacturing of the Geely brand vehicles.

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 Technology Provision Annual Caps and the Technology Procurement Annual Caps:

- the cost of each technical project, which includes the total R&D staff costs mainly based on the estimated staff hours and the staff hourly rate according to historical cost or current market wages, with reference to the estimated completion stage of the R&D and technology support projects;
- the margin rate adopted in calculating the R&D services fees in the Technology Provision Annual Caps and the Technology Procurement Annual Caps (the “**R&D Margin Rate**”), which is determined with reference to the margin rates set out in the R&D Services Pricing Analysis Report prepared by the Independent CPA. We have reviewed the R&D Services Pricing Analysis Report dated 31 July 2023 prepared by the Independent CPA solely for the internal reference by the parties to the R&D Services and Technology Licensing Agreement. We consider that the R&D Services Pricing Analysis Report is a reputable source of reference for the purpose of determining the margin rate for the R&D services fees. We note that the Independent CPA had identified comparable companies (the “**Technology Relevant Companies**”) that are principally engaged in the research and development and relevant technology support services in relation to vehicle engine and transmission products and evaluated their cost-plus-margin. We note that the R&D Margin Rate falls within the range and is similar to the median of the cost-plus-margin of the Technology Relevant Companies as set out in the R&D Services Pricing Analysis Report. As such, we consider that the R&D Margin Rate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- the margin rate adopted in calculating the licensing fees in the Technology Procurement Annual Caps (the “**Licensing Fees Margin Rate**”), which is determined with reference to the margin rates set out in the Licensing Fees Pricing Analysis Report prepared by the Independent CPA. We have reviewed the Licensing Fees Pricing Analysis Report dated 31 July 2023 prepared by the Independent CPA solely for the internal reference of the Group. We consider that the Licensing Fees Pricing Analysis Report is a reputable source of reference for the purpose of determining the margin rate for the licensing fees. We note that the Independent CPA had identified comparable companies (the “**Licensing Relevant Companies**”) that are principally engaged in the licensing of technologies of related products and evaluated their

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cost-plus-margin. We note that the Licensing Fees Margin Rate falls within the range and is the same as the median of the cost-plus-margin of the Licensing Relevant Companies as set out in the Licensing Fees Pricing Analysis Report. As such, we consider that the Licensing Fees Margin Rate adopted in calculating the licensing fees is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;

- in respect of our due diligence on the qualification and experience of the Independent CPA, please refer to the paragraph headed “the Automobile Components Procurement Annual Caps” 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 R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report; and (ii) consider that the R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report are appropriate references for determining the margin rates used in calculating the R&D services fees and licensing fees in the Technology Provision Annual Caps and the Technology Procurement Annual Caps;
- the estimated platform rates adopted in calculating the licensing fees in the Technology Procurement Annual Caps, for which we have obtained the underlying calculation and note that such estimated platform rate is determined with reference to the estimated R&D cost as a percentage of the manufacturing cost of respective vehicle model. We have also obtained the historical platform rates for the year ended 31 December 2022 and note that the estimated platform rates used in the calculation of Technology Procurement Annual Caps are generally comparable to the range of historical platform rates for the year ended 31 December 2022;
- we note that the Technology Provision Annual Cap for FY2024 represents an increase of approximately 49% as compared with the historical transaction amount for FY2022 and the annual caps for FY2025 and FY2026 decrease by approximately 22% and approximately 16% as compared to FY2024, respectively. We consider the annual caps for FY2024 to FY2026 to be reasonable given that (i) the increase in FY2024 annual cap is attributable to the projected increase in demand for R&D services and technology licensing from the Geely Holding and Related Party Groups, along with the accelerated R&D activities for the development of electric batteries and power system in the second half of FY2023; and (ii) the decrease in the annual caps for FY2025 and FY2026 is due to reduced number of technical projects as some of the R&D and technology support projects relating to certain Geely Holding-owned brand vehicles are expected to be completed gradually in 2025 and 2026; and
- we further note that the Technology Procurement Annual Cap for FY2024 represents a decrease of approximately 52% as compared with the historical transaction amount for FY2022, which was mainly due to the decreased reliance of the Group on R&D activities received from the Geely Holding Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our view*

Taking into consideration that (i) the Technology Provision Annual Caps and the Technology Procurement Annual Caps are determined with reference to the cost of each technical project, which includes the total R&D staff costs mainly based on the estimated staff hours and the staff hourly rate according to historical cost or current market wages, plus a margin with reference to the R&D Services Pricing Analysis Report and the Licensing Fees Pricing Analysis Report; (ii) the decrease in the Technology Provision Annual Caps for FY2025 and FY2026 is mainly due to the expected decrease in R&D and technology support projects, and (iii) the increase in Technology Procurement Annual Caps for FY2025 and FY2026 is mainly due to the projected rise in vehicle platform technologies licensed by the Geely Holding Group, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the Technology Provision Annual Caps and the Technology Procurement Annual Caps at the proposed levels. However, as the proposed Technology Provision Annual Caps and the Technology Procurement Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2026, we express no opinion as to how closely the transactions contemplated under the R&D Services and Technology Licensing Agreement shall correspond to the Technology Provision Annual Caps and the Technology Procurement Annual Caps respectively.

### 5. **Automobile Financing Arrangements**

Under the Existing Finance Cooperation Agreements which will expire on 31 December 2023, Genius AFC has been providing automobile financing services to the wholesale customers or the Retail Customers who purchase the relevant brands of vehicles or related automobile products, which include the brands under LYNK & CO, ZEEKR, Geely, Geely Holding and smart. To continue the automobile financing arrangements for three more years to 31 December 2026, on 15 September 2023, Genius AFC respectively entered into (i) the LYNK & CO Finance Cooperation Agreement with LYNK & CO Sales; (ii) the ZEEKR Finance Cooperation Agreement with ZEEKR; (iii) the Geely Holding Finance Cooperation Agreement with Geely Holding; and (iv) the smart Finance Cooperation Agreement with smart Sales. Also, on the same date, Genius AFC entered into the Lotus Finance Cooperation Agreement with Lotus Sales (collectively, the "**Finance Cooperation Agreements**").

The major terms of the Finance Cooperation Agreements are summarized below:

#### *Term*

The Finance Cooperation Agreements shall have an initial term of three years subject to early termination by the parties serving at least a 6-month prior written notice. The terms of the Finance Cooperation Agreements may be renewed and extended subject to the compliance with the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Cooperation*

The relevant Automobile Sales Company shall use its reasonable endeavours to (a) procure different parties, including but not limited to dealers, after-sales service providers and other sellers (the “**Wholesale Customers**”) to use the Wholesale Financing and recommend their Retail Customers to use the Retail Financing; (b) grant subsidies to the Wholesale Customers for the purpose of promoting the Wholesale Financing Business; and (c) grant subsidies to the Retail Customers for the purpose of promoting the Retail Financing Business; provided that the Wholesale Customers and the Retail Customers shall have the sole and absolute discretion to determine whether to use the Wholesale Financing and/or the Retail Financing.

Pursuant to the Finance Cooperation Agreements, Genius AFC is not the exclusive provider of the automobile and other financing services to the relevant Automobile Sales Company, the Wholesale Customers and the Retail Customers. Notwithstanding the foregoing, should an independent automobile financing company offer the same financing services under the same terms and conditions, Genius AFC shall be the preferred partner of the relevant Automobile Sales Company, which shall be firstly recommended to the Wholesale Customers and/or the Retail Customers.

For carrying out the Wholesale Financing Business and the Retail Financing Business, Genius AFC will enter into separate agreements with the Wholesale Customers or the Retail Customers.

### *Principal terms of the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements*

For conducting the Wholesale Financing Business, Genius AFC will enter into the Wholesale Facility Agreements with the Wholesale Customers, pursuant to which Genius AFC will provide the Wholesale Financing to such Wholesale Customers to facilitate their purchase of the relevant brand of vehicles and/or auto accessories and/or services.

For carrying out the Retail Financing Business, Genius AFC will enter into the Retail Financing Cooperation Agreements with the relevant dealers or other sellers (as the case maybe), pursuant to which the relevant dealers or other sellers shall recommend their Retail Customers to use Genius AFC for obtaining vehicle financing to finance their purchase of the relevant brand of automobiles, auto accessories and services. Also, Genius AFC will enter into the Retail Individual Financing Agreements with the Retail Customers, pursuant to which Genius AFC will directly provide financing to such Retail Customers to facilitate their purchase of the relevant brand of vehicles and/or auto accessories and/or services.

The terms of the Wholesale Facility Agreements, the Retail Financing Cooperation Agreements and the Retail Individual Financing Agreements, including among others, the pricing policy, the term of financing, the credit limits, etc., shall be consistent with the terms of the Finance Cooperation Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Pricing policy*

Given that Genius AFC is not the exclusive automobile financing service provider to the relevant Automobile Sales Company, the Wholesale Customers and the Retail Customers and also taking into account the fierce competition of the automobile financing industry in the PRC, the sales and marketing department of Genius AFC will communicate with the Wholesale Customers and/or the Retail Customers (as the case may be) on an ongoing basis to ensure that the terms of the Wholesale Facility Agreements and the Retail Individual Financing Agreements are competitive during the term of the Finance Cooperation Agreements but shall always be in line with the market practice of the automobile financing industry in the PRC. All automobile financing and related product pricing proposals of Genius AFC are prepared in accordance with its internal control procedures.

Genius AFC has the sole and absolute discretion in determining the final pricing of the automobile financing services under the Wholesale Facility Agreements and the Retail Individual Financing Agreements (the “**Final Pricing**”). The Final Pricing will be determined by Genius AFC after taking into account various factors, including, its cost of funds, the lending rates offered by its competitors and the borrowers’ risk profile, which will be assessed by Genius AFC in accordance with its risk management procedures.

Subject to the compliance with the applicable PRC laws and regulations, the interest rates of the financing to be provided by Genius AFC under the Wholesale Facility Agreements and the Retail Individual Financing Agreements are higher than the base lending rates published by the PBOC for the similar types of financing under similar terms and conditions.

As confirmed by the management of Genius AFC, the lending interest rate of the automobile financing arrangements was determined principally after taking into account (i) the PBOC base lending rate for similar type of financing under similar terms and conditions, (ii) the cost of funds, and (iii) the lending rates offered by the competitors in the PRC automobile financing industry. In light of the aforesaid, we consider the pricing policy adopted by Genius AFC in determining the lending interest rates under the automobile financing arrangements fair and reasonable.

### *Risk management*

Genius AFC is responsible for the lending risk assessment and making decisions on providing the Wholesale Financing to the Wholesale Customers and the Retail Financing to the Retail Customers. The extension of financing to the Wholesale Customers or the Retail Customers is subject to satisfactory credit risk assessment in accordance with Genius AFC’s credit risk management procedures and its internal risk and management policies.

In relation to the credit risk assessment procedures of the Wholesale Financing Business, the risk control department of Genius AFC will review the credit applications with supporting materials submitted by the Wholesale Customers and will prepare proposals of granting credit lines. The risk control committee of Genius AFC will appraise and decide on whether or not to grant such credit lines. If the credit lines exceed certain internal threshold, such credit application(s) shall be approved by the board of Genius AFC. When considering an application, the following factors will be considered with respect to the Wholesale Customers: the debt-to-asset ratios, the Wholesale

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Customers' background information, companies' profile, relevant experience in the automobile industry as well as the automobile brand, the capital structure, the track record period and financial performance of the Wholesale Customers. The Wholesale Customers who have been granted with credit lines are required to submit to Genius AFC their financial reports monthly and audited accounts annually (if any). The risk control department of Genius AFC will review and assess the aforesaid financial information. If there is any substantial change in the financial and operating performance of the Wholesale Customers, Genius AFC will consider to adjust the granted credit lines.

In relation to the credit risk assessment procedures of the Retail Financing Business, Genius AFC has utilized a computerized internal risk assessment expert system (the "**Risk Assessment System**"), which enables Genius AFC to perform credit risk assessment procedures using big data analysis. The risk control department of Genius AFC will set specifications for the retail products to determine whether to accept the financing applications of the Retail Customers based on their incomes, credit history and repayment capability. The risk control committee of Genius AFC will then review and approve the specifications rules for the retail products. Based on the evaluation by the Risk Assessment System, which is configured and modified by the risk control department of Genius AFC from time to time, the decisions on whether to grant the financing to the Retail Customers will be made by the Risk Assessment System and the retail underwriting team of the operation department of Genius AFC (the "**Underwriting Team**"). The Underwriting Team's primary responsibilities also include verifying the information and materials submitted by the Retail Customers and assessing the Retail Customers' credibility in order to make final credit decisions on the applications. After granting the automobile financing to the Retail Customers, the collection team of the operation department of Genius AFC will monitor the performance of the Retail Customers on repaying the financing installments and follow up with default payment and/or delinquency (if any).

The management of Genius AFC confirmed that (i) the abovementioned credit risk assessment procedures for the Retail Financing were devised and established pursuant to the 《汽車貸款管理辦法》 (the Measures for the Management of Auto Loan) that were promulgated by the China Banking Regulatory Commission and PBOC which became effective on 1 January 2018 (the "**Auto Loan Management Measures**"); and (ii) since the incorporation of Genius AFC in August 2015, Genius AFC has been in compliance with the Auto Loan Management Measures and the relevant laws and regulations of the PRC in relation to risk management of auto finance companies.

### *Terms of the financing*

For the Wholesale Financing Business, the maximum term of financing granted to the Wholesale Customers is 360 days. If the payment date is a non-Business Day, the payment date will be postponed to the next Business Day. For the Retail Financing Business, the maximum term of financing granted to the Retail Customers is 60 months. The aforesaid terms are subject to amendments as determined by Genius AFC depending on its future business conditions.

We have reviewed that the Auto Loan Management Measures which stipulated that the term of automobile retail loans may not be longer than five years and that the term of automobile wholesale loans may not be longer than 1 year. In view of the fact that the loan terms set out in the Finance Cooperation Agreements comply with the Auto Loan Management Measures, we consider such terms to be fair and reasonable.

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### *Internal control measures in relation to the Automobile Financing Arrangements*

#### *Internal control of Genius AFC*

Based on customers' requirements, all financing and product pricing proposals (including any subsequent modifications) are prepared by Genius AFC's sales and marketing department. In order to ensure compliance with the aforesaid pricing basis for the Finance Cooperation Agreements, the finance manager of Genius AFC's finance department will monitor the fluctuations of the interest rates in the market at least on a monthly basis or more frequently if it is determined necessary. For example, when the interest rates including among others, the PBOC lending base rates, become volatile, the finance manager will review the interest rates and prepare the reports in order to ensure that the interest rates offered for the financing proposals will be higher than the PBOC lending base rates for similar types of financing under similar terms and conditions. In addition, Genius AFC's sales and marketing department communicates with the respective dealers, other sellers and after-sales service providers under the Finance Cooperation Agreements on an ongoing basis to ensure the terms of the respective wholesale facility agreement and the retail financing cooperation agreement covered by the Finance Cooperation Agreements are in line with the general auto finance market practice. The finance manager of the finance department of Genius AFC will prepare reports on financing market interest rates and review these reports at least monthly (or more frequently if it is determined necessary). These reports are distributed to departments including the sales and marketing department, the operation department, the risk control department, the legal and compliance department and the information and technology department of Genius AFC for review whenever necessary. The financing and product pricing proposals will then be submitted to the sales and marketing committee for final approval. All financing and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by other departments of Genius AFC, such as the finance department and the risk control department.

To ensure the actual new financing amounts will not exceed the respective wholesale annual caps and the retail annual caps, Genius AFC will prepare specific monthly reports to show the actual transaction volume and amounts as compared with the respective wholesale annual caps and the retail annual caps. Once the actual transaction amounts reach certain levels (being 70% of the annual caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the respective wholesale annual caps and the retail annual caps would not be exceeded or to commence necessary procedures to revise the aforementioned annual caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

Further, to ensure the transactions contemplated under the Geely Holding Finance Cooperation Agreement involving the Connected Geely Dealers to be entered on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties, the legal department of Genius AFC will ensure that the principal terms of the Geely Wholesale Facility Agreements and Geely Retail Financing Cooperation Agreements to be entered with the Connected Geely Dealers and the Independent Geely Dealers are the same. Genius AFC will monitor the wholesale financing business and retail financing business in relation to the transactions with the Connected Geely Dealers are on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties.

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The above internal control procedures are to ensure the pricing policy stipulated under the Finance Cooperation Agreements is strictly adhered to.

*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 Finance Cooperation Agreements and our review of the internal control procedures that include:

- (i) by monitoring the fluctuations of interest rates in the market at least on a monthly basis or more frequently if it is determined necessary and the distribution and validation of the financing and product pricing proposal to relevant departments of Genius AFC, Genius AFC will be able to ensure compliance with the pricing basis for the Finance Cooperation Agreements, in particular, to ensure the interest rates offered for the financing and product pricing proposals will be higher than the PBOC lending base rates for similar types of financing under similar terms and conditions;
- (ii) by communicating with the respective dealers, other sellers and after-sales service providers covered by the Finance Cooperation Agreements on an ongoing basis, Genius AFC will be able to ensure the terms of the respective wholesale facility agreement and the retail financing cooperation agreement covered by the Finance Cooperation Agreements are in line with the general auto finance market practice;
- (iii) Genius AFC has measures in place to ensure that the annual transaction amounts under the Finance Cooperation Agreement will not exceed the proposed annual caps of respective years, that include Genius AFC will prepare specific monthly reports to show the actual transaction volume and amounts as compared with the respective wholesale annual caps and the retail annual caps. Once the actual transaction amounts reach certain levels (being 70% of the annual caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the respective wholesale annual caps and the retail annual caps would not be exceeded or to commence necessary procedures to revise the aforementioned annual caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules; and (b) 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 it is expected that actual transaction amounts will reach certain levels (being 70% of the annual caps for the relevant year), the Company will consider measures to be taken in a timely manner (which include controlling the volume for the related business or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and
- (iv) the independent non-executive Directors will conduct review on the transactions contemplated under the Finance Cooperation Agreements 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 agreements and in the interests of the Company and the Shareholders as a whole;

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we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the proposed annual caps of the Finance Cooperation Agreements 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 controlling the volume for the related business or re-complying with disclosure and independent shareholders' approval requirements under the Listing Rules); and (ii) the pricing terms of the automobile financing services as described above will be determined by Genius AFC on normal commercial basis.

### *Historical transaction amounts*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the approved annual caps for each of the (a) LYNK & CO Wholesale Financing; (b) LYNK & CO Retail Financing; (c) ZEEKR Retail Financing; (d) Geely Holding Retail Financing; and (e) smart Retail Financing, for the three years ending 31 December 2023 and their respective utilisation rates.

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	Historical transaction		Historical	Approved annual caps for the year ended/		
	amounts for the year ended		transaction	ending 31 December		
	31 December		amount			
	2021	2022	for the	2021	2022	2023
RMB million	RMB million	six months	RMB million	RMB million	RMB million	
(Audited)	(Audited)	ended				
		30 June				
		2023				
		(Unaudited)				
New financing amounts provided by Genius AFC under the LYNK & CO Wholesale Financing	2.5	–	–	450.0	675.0	1,125.0
Utilisation rate of annual caps				0.6%	Nil	Nil <sup>(Note)</sup>
New financing amounts provided by Genius AFC under the LYNK & CO Retail Financing	6,304.7	5,207.7	1,664.0	10,153.9	13,303.5	17,149.7
Utilisation rate of annual caps				62.1%	39.1%	9.7% <sup>(Note)</sup>
New financing amounts provided by Genius AFC under the ZEEKR Retail Financing	92.7	3,646.9	3,404.9	144.0	4,977.0	12,715.9
Utilisation rate of annual caps				64.4%	73.3%	26.8% <sup>(Note)</sup>
New financing amounts provided by Genius AFC under the Geely Holding Retail Financing	31.1	75.7	186.1	279.8	377.9	606.5
Utilisation rate of annual caps				11.1%	20.0%	30.7% <sup>(Note)</sup>
New financing amounts provided by Genius AFC under the smart Retail Financing	–	101.4	320.0	–	134.0	670.0
Utilisation rate of annual caps					75.7%	47.8% <sup>(Note)</sup>

*Note: The utilisation rate of the annual cap for the year ending 31 December 2023 was calculated by dividing the historical transaction amount for the six months ended 30 June 2023 by the approved annual cap for the full financial year ending 31 December 2023.*

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### *Proposed annual caps*

Details of the proposed annual caps (the “**Financing Annual Caps**”) under each of the Finance Cooperation Agreements are set out in the Letter from the Board and are summarized below for reference.

	Proposed annual cap for the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
LYNK & CO Wholesale Annual Caps	332.3	424.3	509.8
LYNK & CO Retail Annual Caps	5,467.9	5,799.5	6,149.4
ZEEKR Wholesale Annual Caps	7.9	10.0	10.0
ZEEKR Retail Annual Caps	5,029.3	9,055.4	10,322.9
Geely Holding Wholesale Annual Caps	54.5	101.2	142.5
Geely Holding Retail Annual Caps	564.5	881.6	1,307.1
smart Wholesale Annual Caps	165.0	288.0	455.0
smart Retail Annual Caps	2,037.0	3,206.3	4,141.2
Lotus Wholesale Annual Caps	22.0	22.0	22.0
Lotus Retail Annual Caps	922.7	1,164.1	1,814.3

### *Reasons for and benefits of the Automobile Financing Arrangements*

As stated in the Letter from the Board, Genius AFC is principally engaged in the provision of auto retail financing solutions to end customers, mainly supporting the key auto brands of the Group. As a professional auto financing company, Genius AFC has been striving to improve the sales of the different auto brands, increasing the purchasing power and customer loyalty through providing financing services to customers. By vigorously widening the customer base and service scope, Genius AFC has maintained rapid profit growth since 2017. The entering into the Finance Cooperation Agreements will allow Genius AFC to extend its financing services to various automobile brands, thereby allowing it to gain a larger market share in the PRC auto finance industry.

In terms of provision of financing services, as at 30 June 2023, Genius AFC successfully launched 20 asset-backed securities (“**ABS**”) issuances in total, with cumulative amount of approximately RMB80.3 billion, one of which was green ABS, with an issuance amount of RMB1.2 billion. With the steady increase in funding sources and assets scale, Genius AFC has been striving for continuing business growth and expanding its wholesale and retail financing services by widening the customer base and service scope with priority of fulfilling the financing needs for the Geely brand vehicles. At the same time, Genius AFC continues to improve its profitability through cooperation with other vehicle manufacturers for maximising profits for the Group.

The Directors consider that the provision of financing under the Finance Cooperation Agreements by Genius AFC would not result in a deprivation of funds available for financing applications for purchasing vehicles of the Group. To ensure proper allocation of its resources such that the Group’s



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interest will be safeguarded, Genius AFC has undertaken to the Company that, in the event that there is a shortage of funds experienced by Genius AFC, priority will be given to financing applications for purchasing vehicles of the Group.

### *Our view*

Having considered that (i) the automobile financing arrangements will adhere to the Auto Loan Management Measures; (ii) the pricing basis for the lending interest will be determined with reference to the base lending rates published by the PBOC for similar types of loans under similar terms and conditions; (iii) Genius AFC, being a joint venture among the Company, BNPP PF (an independent third party) and Cofiplan (an independent third party) and certain key corporate matters of it require a positive vote from BNPP PF or unanimous resolution of all directors (present or represented by proxy for the board meeting), is to be the sole decision maker for the final pricing of the automobile financing services for both the Wholesale Financing and Retail Financing; and (iv) the Group has put in place the relevant internal control measures to (a) regularly monitor the market interest rates and (b) keep abreast of the general automobile financing industry practice aimed at ensuring adherence of the pricing policy as stipulated in the Finance Cooperation Agreements, we consider that the terms of the Finance Cooperation Agreements are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Shareholders are concerned.

### *Fairness and reasonableness of the Financing Annual Caps*

As stated in the Letter from the Board, the Financing Annual Caps for the Wholesale Financing were mainly determined with reference to: (i) the projected units of the relevant brand vehicles, auto accessories and services under each respective Financing Annual Caps to be purchased by the respective Wholesale Customers (including relevant brand dealers or after-sales service providers or other sellers) for each of the three years ending 31 December 2026; (ii) the estimated average selling prices of each respective brand vehicles to each respective Wholesale Customers which was determined with reference to the historical selling price and expected selling price of each respective brands vehicles for each of the three years ending 31 December 2026; (iii) the estimated average selling price of the spare auto parts or each of the three years ending 31 December 2026; and (iv) the estimated financing contracts to be entered into by Genius AFC under the respective Wholesale Financing for each of the three years ending 31 December 2026.

As stated in the Letter from the Board, the Financing Annual Caps for the Retail Financing were mainly determined with reference to: (i) the projected unit sales of the relevant brand vehicles, auto accessories and services to the Retail Customers under each respective Financing Annual Caps for each of the three years ending 31 December 2026; (ii) the projected average retail selling price of the relevant brand vehicles, auto accessories and services for each of the three years ending 31 December 2026; and (iii) the estimated retail financing penetration rates of the relevant brand vehicles for each of the three years ending 31 December 2026. The retail penetration rate represents the estimated percentage of Retail Customers' purchases which will be financed by Genius AFC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Retail Financing*

In assessing the fairness and reasonableness of the Financing Annual Caps for the Retail Financing, we have obtained and reviewed the projections of the estimated maximum financing amounts in relation to the Retail Financing for each respective brand vehicles, auto accessories and services for the three years ending 31 December 2026. We note that each respective Financing Annual Caps for the Retail Financing were determined mainly based on (i) the projected sales volume of each respective brands vehicles in each of the three years ending 31 December 2026; (ii) the estimated average selling price of each respective brand vehicles, auto accessories and services; (iii) the expected retail financing penetration rates for each respective brands vehicles for each of the three years ending 31 December 2026; and (iv) the expected down payment ratio of each respective brands vehicles.

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 each of the Financing Annual Caps for the Retail Financing:

- in relation to the projected sales volume of each respective brand vehicles, we have obtained and reviewed the sales plan of each respective brand vehicles to the Retail Customers which sets out the projected sales volume of each respective brand vehicles to the Retail Customers. Based on our discussion with the management of the Company, we understand that the sales plan of each brand vehicles, auto accessories and services, were determined with reference to factors including expected customer demand, sales volume targets, product life cycle, strategy and business performance of each respective brands in the market and possible market fluctuations;
- in respect of the expected retail financing penetration rates for each respective brands for each of the three years ending 31 December 2026, we have obtained the relevant historical financing penetration rates and note that the retail financing penetration rates in determining their respective Financing Annual Caps are generally comparable to their respective historical financing penetration rates except for (i) the estimated penetration rate for ZEEKR brand being lower than its historical penetration rates as the Company considers that the penetration rate will decrease when ZEEKR brand grows rapidly in future; (ii) the estimated penetration rate for smart brand being higher than its historical penetration rate as Genius AFC only commenced providing retail financing to the smart brand retail customers in FY2022 and; (iii) there being no historical penetration rate for Lotus brand as Genius AFC will only commence providing retail financing to the Lotus brand retail customers in FY2024. We have discussed with management of the Company and understand that the estimated retail financing penetration rates for the three years ending 31 December 2026 were determined after taking into account the historical retail financing penetration rates and the expected development of the business of the respective brand, including the expected demand from Retail Customers that will utilise automobile financing provided by Genius AFC for the relevant brand of vehicle model. We understand from the Company that other factors such as the level of promotional activities, training and the subsidies to be given by Genius AFC or the relevant Automobile Sales Company in support of the Retail Financing Business of each respective brands have also been taken into account by Genius AFC when determining the retail financing

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penetration rates for each respective brands, which is one of the key elements of the projections of the estimated maximum financing amounts in relation to the Retail Financing for each respective brands. Given the above, we consider the expected retail financing penetration rates used in respective Financing Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders; and

- in relation to the estimated loan amount to be provided to each Retail Customer, which in turn was determined from (i) the estimated average selling prices of each respective brands vehicles (the “**Company Estimated ASP**”) and (ii) the expected down payment ratio ranging from around 30% to 50% for all the brands under the automobile financing arrangements. Regarding the Company Estimated ASP, we have conducted research on online automobile sales platforms in China and obtained the prevailing selling prices for the relevant brand of vehicle model and note that the Company Estimated ASP used in calculating their respective Financing Annual Caps are comparable to the selling prices of these vehicles found on the online automobile sales platforms in China. In respect of the expected down payment ratio, we have reviewed the Auto Loan Management Measures which stipulated the minimum down payment ratio of 15% to 30% for vehicle loans and note that the expected down payment ratio ranging from around 30% to 50% complies with the Auto Loan Management Measures. In addition, we note that the expected down payment ratio ranging from around 30% to 50% is generally comparable to the historical down payment ratio for respective relevant brands under the automobile financing arrangements.

### *Wholesale Financing*

In assessing the fairness and reasonableness of the Financing Annual Caps for the Wholesale Financing, we have obtained and reviewed the projections of the estimated maximum financing amounts in relation to the Wholesale Financing for each respective brand vehicles, auto accessories and services for each of the three years ending 31 December 2026. We note that the respective Financing Annual Caps for the Wholesale Financing were determined mainly based on (i) the number of brand dealers or after-sales service providers of the relevant brand vehicles for each of the three years ending 31 December 2026; (ii) the projected sales volume of the relevant brand vehicles, auto accessories and services to be purchased by the relevant Wholesale Customers for each of the three years ending 31 December 2026; (iii) the expected average selling prices of the respective brand vehicles, auto accessories and services to each brand dealer or after-sales service provider for each of the three years ending 31 December 2026; and (iv) the estimated financing contracts to be entered into by Genius AFC under the respective Wholesale Financing for each of the three years ending 31 December 2026.

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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 each of the Financing Annual Caps for the Wholesale Financing:

- in respect of the number of the Wholesale Customers that will purchase the respective brand vehicles, auto accessories and services, we note from the underlying calculations that it is based on the existing number of Wholesale Customers for each respective brand, taking into account the expected growth in the number of dealerships for each respective brand for the three years ending 31 December 2026;
- in relation to the projected purchase volume of the respective brands vehicles by each Wholesale Customer, we understand from management of the Company that the projected purchase volume is based on the Group's business planning discussions with the relevant Wholesale Customers, taking into account factors including expected customer demand, sales volume targets, product life cycle and possible market fluctuations, in projecting the number of vehicles to be purchased each year for the three years ending 31 December 2026; and
- in relation to the estimated loan amount to be provided to each brand dealer, which in turn was determined from the estimated average selling prices of each respective brands vehicles, we understand from management of the Company that the estimated loan amount was mainly determined with reference to the historical loan amount provided to the relevant brand dealer and the estimated average selling prices of each respective brand vehicles, auto accessories and services.

Based on our review and analysis as detailed above, the main reasons for the major fluctuation of each Financing Annual Caps are summarized below:

### ***Retail Financing***

#### ***LYNK & CO Retail Annual Caps***

The LYNK & CO Retail Annual Cap for FY2024 represents an increase of approximately 5% from the historical transaction amount for FY2022 of RMB5,207.7 million. The LYNK & CO Retail Annual Caps increase from approximately RMB5,467.9 million for FY2024 to approximately RMB5,799.5 million and RMB6,149.4 million for FY2025 and FY2026, respectively, representing an increase of approximately 6% and approximately 6% for FY2025 and FY2026 on a year-on-year basis. We note that the projected increase in the proposed annual caps for FY2024, FY2025 and FY2026 is mainly due to the increase in the projected sales volume of LYNK & CO brand vehicles to the Retail Customers by 5% for FY2024, FY2025 and FY2026 on a year-on-year basis, resulting in the increase in the estimated loan volume to the Retail Customers. The retail financing penetration rate and average selling price are estimated to remain relatively stable from FY2024 to FY2026.

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### *ZEEKR Retail Annual Caps*

The ZEEKR Retail Annual Cap for FY2024 is expected to be lower than the annualised historical transaction amount for the six months ended 30 June 2023. The ZEEKR Retail Annual Caps increase from approximately RMB5,029.3 million for FY2024 to approximately RMB9,055.4 million and RMB10,322.9 million for FY2025 and FY2026, respectively, representing an increase of approximately 80% and approximately 14% for FY2025 and FY2026 on a year-on-year basis. We note that the increase in the proposed annual caps for FY2025 and FY2026 is mainly due to the increase in the projected sales volume of ZEEKR brand vehicles to the Retail Customers by more than 50% for FY2025 and 10% for FY2026 on a year-on-year basis, contributed by new models expected to be launched in 2024, 2025 and 2026, resulting in the increase in the estimated loan volume to the Retail Customers. The retail financing penetration rate, which is estimated to be lower than that in FY2023, and the average selling price are both estimated to remain relatively stable from FY2024 to FY2026.

### *Geely Holding Retail Annual Caps*

The Geely Holding Retail Annual Cap for FY2024 represents an increase of approximately 52% as compared with the annualised historical transaction amount for the six months ended 30 June 2023. The Geely Holding Retail Annual Caps increase from approximately RMB564.5 million for FY2024 to approximately RMB881.6 million and RMB1,307.1 million for FY2025 and FY2026, respectively, representing an increase of approximately 56% and approximately 48% for FY2025 and FY2026 on a year-on-year basis. We note that the increase in the proposed annual cap for FY2024 as compared with the annualised historical transaction amount for the six months ended 30 June 2023 is mainly due to the projected increase in sales volume of the Geely Holding-owned brand vehicles, representing a growth of over 30% in FY2024 compared with the estimated total sales volume in FY2023. We further note that the increase in the proposed annual caps for FY2025 and FY2026 is mainly due to (i) the estimated increase in the number of the Geely Holding-owned brand vehicles, auto accessories and services to be sold to the relevant Geely Holding-owned brand retail customers; and (ii) expected increase in the number of Geely brand vehicles to be sold to the Connected Geely Dealers, coupled with several factors such as increased financing penetration and enhanced cooperation with the dealers to promote financing services. We note that the projected sales volume of the Geely Holding-owned brand vehicles, auto accessories and services to be sold by the Geely Holding Dealers and other sellers to the Geely Holding-owned brand retail customers are expected to increase by over 15% for both FY2025 and FY2026 on a year-on-year basis and the increase in the projected sales volume of the Geely brand vehicles, auto accessories and services to be sold by the Connected Geely Dealers are expected to increase by over 20% for both FY2025 and FY2026 on a year-on-year basis.

### *smart Retail Annual Caps*

The smart Retail Annual Cap for FY2024 represents an increase of approximately 2 times as compared with the annualised historical transaction amount for the six months ended 30 June 2023. The smart Retail Annual Caps increase from approximately RMB2,037.0 million for FY2024 to approximately RMB3,206.3 million and RMB4,141.2 million for FY2025 and FY2026, respectively, representing an increase of approximately 57% and approximately 29% for FY2025 and FY2026 on a

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year-on-year basis. We note that the increase in the proposed annual caps for FY2024, FY2025 and FY2026 is mainly due to (a) the fact that the historical transaction amount was low for the six months ended 30 June 2023 as Genius AFC only commenced providing retail financing to the smart brand retail customers in FY2022; (b) the increase in the projected sales volume of smart brand vehicles to the Retail Customers by over 100% for FY2024, over 15% for FY2025 and 3% for FY2026 on a year-on-year basis; (c) the increase in projected average retail selling price of smart brand vehicles, auto accessories and services by approximately 5% for FY2024, FY2025 and FY2026 on a year-on-year basis; and (d) the estimated increase in retail financing penetration rates for FY2024, FY2025 and FY2026, which are expected to be 15%, 20% and 25% respectively for each of the three years ending 31 December 2026, attributable to expected business developments of the smart brand and higher estimated percentage of Retail Customers' purchases that will be financed by loans provided by Genius AFC, resulting in the increase in the estimated loan volume to Retail Customers.

### *Lotus Retail Annual Caps*

The Lotus Retail Annual Caps increase from approximately RMB922.7 million for FY2024 to approximately RMB1,164.1 million and RMB1,814.3 million for FY2025 and FY2026, respectively, representing an increase of approximately 26% and approximately 56% for FY2025 and FY2026 on a year-on-year basis. Genius AFC will commence to provide retail financing to the Retail Customers of Lotus brand vehicles in FY2024 and the annual cap for FY2024 is determined mainly based on the projected sales volume of Lotus brand vehicles for FY2024. The increase in the proposed annual caps for FY2025 and FY2026 is mainly due to the increase in the projected sales volume of Lotus brand vehicles to the Retail Customers by over 20% for FY2025 and 50% for FY2026 on a year-on-year basis, resulting in the increase in the estimated loan volume to the Retail Customers. The retail financing penetration rate and average selling price are estimated to remain relatively stable from FY2024 to FY2026.

### *Wholesale Financing*

#### *LYNK & CO Wholesale Annual Caps, Geely Holding Wholesale Annual Caps and smart Wholesale Annual Caps*

The LYNK & CO Wholesale Annual Caps increase from approximately RMB332.3 million for FY2024 to approximately RMB424.3 million and RMB509.8 million for FY2025 and FY2026, respectively, whilst the Geely Holding Wholesale Annual Caps increase from approximately RMB54.5 million for FY2024 to approximately RMB101.2 million and RMB142.5 million for FY2025 and FY2026, respectively. The smart Wholesale Annual Caps increase from approximately RMB165.0 million for FY2024 to approximately RMB288.0 million and RMB455.0 million for FY2025 and FY2026, respectively.

Based on discussion with management of the Company and our review of the underlying calculation, we note that the increase in the LYNK & CO Wholesale Annual Caps, the Geely Holding Wholesale Annual Caps and the smart Wholesale Annual Caps for the two years ending 31 December 2026 is mainly attributable to the (i) projected increase in the number of vehicles and automobile products to be purchased by the relevant Wholesale Customers for the respective brands; (ii) the estimated increase in the number of relevant Wholesale Customers for the respective brands, driven by the

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planned expansion of their network; and (iii) the anticipated expansion of cooperation with the relevant Wholesale Customers and the extended range of financing services, such as financing for showroom vehicles.

### *ZEEKR Wholesale Annual Caps and Lotus Wholesale Annual Caps*

The ZEEKR Wholesale Annual Caps and Lotus Wholesale Annual Caps of approximately RMB7.9 million, RMB10.0 million and RMB10.0 million and approximately RMB22.0 million, RMB22.0 million and RMB22.0 million, respectively, remain relatively stable for the three years ending 31 December 2026.

Based on the above, we concur with the Directors' view that the Financing Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ***Our view***

Taking into consideration that (i) the Financing Annual Caps for the Retail Financing are determined with reference to the sales plan of respective relevant brand vehicles at selling price generally comparable to prevailing market price with penetration rates and down payment ratios generally comparable to the respective historical rates; (ii) the Financing Annual Caps for the Wholesale Financing are determined with reference to the existing number of Wholesale Customers plus an expected growth rate with a projected purchase volume by each Wholesale Customer at an estimated loan amount; (iii) the increase in the Financing Annual Caps for the Retail Financing is mainly due to increase in the projected sales volume of respective brand vehicles; and (iv) increase in the Financing Annual Caps for the Wholesale Financing is mainly due to the estimated increase in the number of relevant Wholesale Customers for the respective brands driven by the planned expansion of their network, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set each of the Financing Annual Caps at the proposed levels. However, as the Financing Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2026, we express no opinion as to how closely the transactions contemplated under the Finance Cooperation Agreements shall correspond to the Financing Annual Caps.

## **6. 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

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- according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.
- (b) Each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
- has not been approved by the Board;
  - were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - were not entered into, in all material respects, in accordance with the terms of the respective agreements of each of the Continuing Connected Transactions; and
  - have exceeded the respective annual caps.
- (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 Automobile Components and Products Agreements, the R&D Services and Technology Licensing Agreement and the Finance Cooperation Agreements and the annual caps under each of the above respective agreements not being exceeded, we are of the view that appropriate measures will be 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 Automobile Components and Products Agreements, R&D Services and Technology Licensing Agreement and Finance Cooperation Agreements (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



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- (b) the proposed annual caps under each of the above respective agreements (which include the Automobile Components Sales Annual Caps, the Automobile Components Procurement Annual Caps, the CBUs and CKDs Procurement Annual Caps, the Technology Provision Annual Caps, the Technology Procurement Annual Caps and the Financing Annual 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

Name of Director	Name of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	Short position	(%)
Mr. Li <sup>(Note 1)</sup>	Interest in controlled corporations	4,215,888,000	–	41.89
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. An Cong Hui	Personal	7,876,000	–	0.08
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Gan Jia Yue	Personal	2,230,200	–	0.02
Mr. Wang Yang	Personal	1,000,000	–	0.01

*Note:*

1. Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold securities’ interest of 4,215,888,000 shares (excluding those held directly by Mr. Li), representing approximately 41.89% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited.

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

*Share Options/Share Awards*

Name of Director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Gui Sheng Yue	Personal	13,500,000 <sup>(Note 1)</sup>	–	0.13
Mr. Li Dong Hui, Daniel	Personal	14,000,000 <sup>(Note 1)</sup>	–	0.14
Mr. An Cong Hui	Personal	22,000,000 <sup>(Note 1)</sup>	–	0.22
Mr. Ang Siu Lun, Lawrence	Personal	3,000,000 <sup>(Note 1)</sup>	–	0.03
Ms. Wei Mei	Personal	7,000,000 <sup>(Note 1)</sup>	–	0.07
Mr. Gan Jia Yue	Personal	8,000,000 <sup>(Note 1)</sup>	–	0.08
Mr. Gan Jia Yue	Personal	2,800,000 <sup>(Note 2)</sup>	–	0.03

*Notes:*

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 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 0.03% of the issued share capital of the Company as at the Latest Practicable Date.

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

Name of Director	Name of the associated corporations	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Proper Glory	8,929 <i>(Note 1)</i>	–	89.29
Mr. Li	Geely Group Limited	50,000	–	100
Mr. Li	Geely Holding	RMB938,074,545 <i>(Note 2)</i>	–	91.08
Mr. Li	Zhejiang Geely	RMB2,069,907,337 <i>(Note 3)</i>	–	72.40
Mr. Li	Zhejiang Maple	RMB240,000,000 <i>(Note 4)</i>	–	100
Mr. Li	Zhejiang Haoqing	RMB3,530,000,000 <i>(Note 5)</i>	–	91.08
Mr. Li	Zhejiang Jirun	US\$7,900,000 <i>(Note 6)</i>	–	1
Mr. Li	Hunan Geely Automobile Components Company Limited	US\$885,000 <i>(Note 7)</i>	–	1
Mr. Li	ZEEKR	RMB582,000,000 <i>(Note 8)</i>	–	24.09
Mr. An Cong Hui	ZEEKR	RMB68,000,000 <i>(Note 9)</i>	–	2.81
Mr. Li Dong Hui, Daniel	ZEEKR	RMB20,000,000 <i>(Note 10)</i>	–	0.83
Mr. Gui Sheng Yue	ZEEKR	RMB10,000,000 <i>(Note 11)</i>	–	0.41
Ms. Wei Mei	ZEEKR	RMB5,800,000 <i>(Note 12)</i>	–	0.24
Mr. Gan Jia Yue	ZEEKR	RMB4,000,000 <i>(Note 13)</i>	–	0.17

*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 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Li. 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 owned as to 72.40% by Geely Holding, as to 1.61% by other Mr. Li's interested entities and as to 25.99% by independent third parties.
4. Zhejiang Maple is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
5. Zhejiang Haoqing is a limited liability company incorporated in the PRC and is beneficially wholly-owned by Mr. Li and his associate.
6. Zhejiang Jirun is a limited liability company incorporated in the PRC and is 1% owned by Zhejiang Geely.
7. Hunan Geely Automobile Components Company Limited is a limited liability company incorporated in the PRC and is 1% owned by Zhejiang Haoqing.
8. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 24.09% owned by Mr. Li and his associate.
9. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 2.81% owned by Mr. An Cong Hui, an executive Director, and his associate.
10. ZEEKR is a limited liability company incorporated in the Cayman Islands and is beneficially 0.83% 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 0.41% 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 0.24% 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 0.17% owned by Mr. Gan Jia Yue, an executive Director, and his associate.

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

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

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

Name	Nature of interests	Number of shares held Long position	Approximate percentage or attributable percentage of shareholding (%)
Proper Glory <sup>(Note 1)</sup>	Beneficial owner	2,636,705,000	26.20
Geely Holding <sup>(Note 1)</sup>	Interest in controlled corporation	4,019,391,000	39.94
Geely Group Limited <sup>(Note 1)</sup>	Beneficial owner	196,497,000	1.95
Zhejiang Geely <sup>(Note 2)</sup>	Beneficial owner	796,562,000	7.92

*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 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li. 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 owned as to 72.40% by Geely Holding, as to 1.61% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

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

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were 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 and smart. 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 brand 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, Mr. Li and his associate held more than 30% in 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 is owned as to 39.3% by PSD Investment Limited and as to 48.3% by Volvo Cars. PSD Investment Limited is a company controlled by Mr. Li.

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 had launched two models of TX and VN5 VANs. Both models are mainly targeted for European and other international markets. Both customer base and pricing 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 the Group. 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. smart is owned as to 50% by Mr. Li and his associates and owned as to 50% by an independent third party, respectively. 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.

Businesses controlled by the controlling shareholder, such as Lotus, Polestar, LEVC, Livan and smart are significantly different from the Group in terms of product positioning, target consumer group, etc. such that no competitive relationship is constituted with the Group, and the possibility of mutually or unilaterally transferring business opportunities is small.

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

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

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

**c) Directors' interests in assets, contracts or arrangements**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2022, 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 (the operation services agreement has an effective term from 9 June 2023 to 31 December 2025)*

Pursuant to the operation services agreement dated 9 June 2023, (i) the Group agreed to provide to the Geely Holding Group, the LYNK & CO Group, and the ZEEKR 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 RMB2,908.2 million for the three years ending 31 December 2025; and (ii) the Group agreed to procure from the Geely Holding Group and the LYNK & CO 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 three 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.

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

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

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

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

*Volvo finance cooperation agreements among Genius AFC, VCDC and VCIC (the Volvo finance cooperation agreements 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.

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

Pursuant to the CBU sales agreement dated 15 October 2021 and supplemental CBU 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 CBU sales agreement are over 0.1% but less than 5% on an annual basis, the CBU sales agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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

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

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

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

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

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

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

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

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

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

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



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

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

Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers (as defined in the circular of the Company dated 1 December 2020) and LYNK & CO Retail Customers (as defined in the circular of the Company dated 1 December 2020), including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO brand vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO brand vehicles. The largest annual cap for the LYNK & CO wholesale financing arrangements is RMB1,125.0 million for the three years ending 31 December 2023. The largest annual cap for the LYNK & CO retail financing arrangements is RMB17,149.7 million for the three years ending 31 December 2023.

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

Pursuant to the Fengsheng finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Fengsheng Retail Customers (as defined in the circular of the Company dated 1 December 2020) to assist them to purchase Maple brand vehicles. The largest annual cap for the Fengsheng finance cooperation agreement is RMB241.0 million for the three years ending 31 December 2023.

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

Pursuant to the Geely Holding finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Geely Retail Customers (as defined in the circular of the Company dated 1 December 2020) to assist them to purchase (a) vehicles under brands owned by Geely Holding from the Geely Holding Dealers (as defined in the circular of the Company dated 1 December 2020); or (b) Geely brand vehicles from the Connected Geely Dealers (as defined in the circular of the Company dated 1 December 2020). The largest annual cap for the Geely Holding finance cooperation agreement is approximately RMB606.5 million for the three years ending 31 December 2023.

As one or more of the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the automobile financing arrangements, exceed(s) 5% on an aggregated and annual basis, the continuing connected transactions

contemplated under the automobile financing arrangements are subject to the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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

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

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

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

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

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

*Automobile components procurement agreement and the supplemental automobile components procurement agreement both between the Company and ZEEKR (the automobile components procurement agreement and the supplemental automobile components procurement agreement both have an effective term from their effective date to 31 December 2023)*

Pursuant to the automobile components procurement agreement dated 2 July 2021 and the supplemental automobile components procurement agreement dated 9 September 2022, the Group agreed to procure, and the ZEEKR Group agreed to supply, automobile components with the largest annual cap being RMB3,941.6 million for the three years ending 31 December 2023.

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

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

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

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

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

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

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

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

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

***The powertrain purchase agreement among the Company, Aurobay Technology, and Geely Changxing (the powertrain purchase agreement has an effective term from 1 January 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.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which 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 were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, 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:

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Ballas Capital Limited:

- a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

- b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, 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 investment cooperation agreement dated 13 December 2021 entered into between the Company and Lifan Technology in relation to the formation of a joint venture pursuant to which the Company and Lifan Technology will contribute 50% (representing RMB300 million) and 50% (representing RMB300 million), respectively, of the total shares issued by the joint venture;
- (ii) the subscription agreement dated 9 May 2022 entered into between Centurion Industries Limited (“**CIL**”), a wholly-owned subsidiary of the Company, and Renault Korea Motors Company Limited (“**Renault Korea Motors**”) in relation to the subscription of 45,375,000 common shares of Renault Korea Motors at a cash consideration of approximately KRW264 billion (approximately RMB1,376 million);
- (iii) the equity transfer agreement dated 11 July 2022 entered into among the Company, BNPP PF and its wholly-owned subsidiary in relation to the transfer of 5% interests in the registered capital of Genius AFC at an initial cash consideration of approximately RMB420.7 million;
- (iv) the framework agreement dated 8 November 2022 entered into among Geely Holding, Renault S.A.S., 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;
- (v) 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;
- (vi) 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 Holdings Berhad sale shares and the sale loan for an aggregate consideration of approximately RMB1,456.7 million;

- (vii) the acquisition agreement dated 20 January 2023 entered into between GIHK and Linkstate in relation to the acquisition of 49.9% of DRB-HICOM Geely Sdn. Bhd. at a nominal consideration of US\$1.00;
- (viii) the contribution agreement dated 11 July 2023 entered into among the Company, Geely Holding and Renault S.A.S. in relation to the contribution all of their respective shares, whether directly or indirectly held, in Aurobay Holding (a private limited company to be incorporated in Singapore and being an indirectly wholly-owned subsidiary of the Company), Aurobay International PTE. LTD. and New H Powertrain Holding, S.L.U. to the JV Company;
- (ix) the joint venture agreement dated 11 July 2023 entered into between the Company, Geely Holding and Renault S.A.S. in relation to the establishment of the JV Company engaging the powertrain business; and
- (x) 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.

## **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 Monday, 27 November 2023:

- a) the Automobile Components Sales and Purchase Agreement;
- b) the CBUs and CKDs Procurement Cooperation Agreement;
- c) the R&D Services and Technology Licensing Agreement;
- d) the LYNK & CO Finance Cooperation Agreement;
- e) the ZEEKR Finance Cooperation Agreement;
- f) the Geely Holding Finance Cooperation Agreement;
- g) the smart Finance Cooperation Agreement;
- h) the Lotus Finance Cooperation Agreement;
- i) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- j) 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;
- k) 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;
- l) the written consent from Ballas Capital Limited referred to in the paragraph headed “Qualification of Expert” in this appendix;
- m) the memorandum and articles of association of the Company;
- n) annual reports of the Company for the financial year ended on 31 December 2020, 31 December 2021, and 31 December 2022; and
- o) this circular.



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## NOTICE OF EGM

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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 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 Monday, 27 November 2023 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 September 2023 (the “**Automobile Components Sales and Purchase Agreement**”) entered into between the Company, 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**”), 領克投資有限公司 (LYNK & CO Investment Co., Ltd.\*) (“**LYNK & CO**” together with its subsidiaries, the “**LYNK & CO Group**”) and ZEEKR Intelligent Technology Holding Limited (“**ZEEKR**” together with its subsidiaries, the “**ZEEKR 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 automobile components to the Geely Holding Group and the LYNK & CO Group; and (ii) the Group agreed to purchase automobile components from Geely Holding Group and the ZEEKR 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 two financial years ending 31 December 2024 be and hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated under the Automobile Components Sales and Purchase Agreement.”

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2. **“THAT:**

- a. the conditional agreement dated 15 September 2023 (the **“CBUs and CKDs Procurement Cooperation Agreement”**) entered into between the Company and Geely Holding, 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, the Group agreed to purchase the CBUs and CKDs that are mainly used for the ZEEKR brand vehicles from the Geely Holding Group, be and is hereby approved, ratified and confirmed;
- b. the annual caps in respect of the purchase of the CBUs and CKDs by the Group under the CBUs and CKDs Procurement Cooperation 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 under the CBUs and CKDs Procurement Cooperation Agreement.”

3. **“THAT:**

- a. the conditional agreement dated 15 September 2023 (the **“R&D Services and Technology Licensing Agreement”**) entered into between the Company, Geely Holding, LYNK & CO, ZEEKR, 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”**), Polestar Performance AB (**“Polestar AB”**) and 極星汽車銷售有限公司 (Polestar Automotive China Distribution Co., Ltd.\*) (**“Polestar China”**) (Polestar AB and its subsidiaries as well as Polestar China and its subsidiaries, the **“Polestar Group”**), JIDU Auto Inc. (集度汽車公司\*) (**“JIDU”**) together with its subsidiaries, the **“JIDU 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”**) and 智馬達汽車有限公司 (smart Automobile Co., Ltd.\*) (**“smart”**) together with its subsidiaries, the **“smart Group”**) (collectively, the Geely Holding Group, ZEEKR Group, LYNK & CO Group, Lotus Technology Group, Polestar Group, JIDU Group, LEVC Group and smart 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 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.; and (ii) the Group agreed to procure from 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., be and is hereby approved, ratified and confirmed;

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- b. the annual caps for the R&D and related technology support services provided to the Geely Holding and Related Party Groups by the Group, as well as the annual caps for the purchase of R&D and related technological support services from the Geely Holding Group and the ZEEKR Group under the R&D Services and Technology Licensing Agreement by the Group 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 under the R&D Services and Technology Licensing Agreement.”
4. **“THAT:**
- a. the conditional agreement dated 15 September 2023 (the **“LYNK & CO Finance Cooperation Agreement”**) entered into between 吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.\*) (**“Genius AFC”**) and 領克汽車銷售有限公司 (LYNK & CO Automobile Sales Co., Ltd.\*) (**“LYNK & CO Sales”**), a copy of which is tabled at the meeting and marked **“D”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers to assist them with purchasing LYNK & CO brand vehicles, auto accessories and services, be and is hereby approved, ratified and confirmed;
  - b. the annual caps in respect of the LYNK & CO Wholesale Annual Caps (as defined in the circular of the Company dated 8 November 2023 (the **“Circular”**)) and the LYNK & CO Retail Annual Caps (as defined in the Circular) 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 under the LYNK & CO Finance Cooperation Agreement.”
5. **“THAT:**
- a. the conditional agreement dated 15 September 2023 (the **“ZEEKR Finance Cooperation Agreement”**) entered into between Genius AFC and ZEEKR, a copy of which is tabled at the meeting and marked **“E”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers to assist them with purchasing ZEEKR brand vehicles, auto accessories and services, be and is hereby approved, ratified and confirmed;

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- b. the annual caps in respect of the ZEEKR Wholesale Annual Caps (as defined in the Circular) and the ZEEKR Retail Annual Caps (as defined in the Circular) 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 under the ZEEKR Finance Cooperation Agreement.”
6. **“THAT:**
- a. the conditional agreement dated 15 September 2023 (the **“Geely Holding Finance Cooperation Agreement”**) entered into between Genius AFC and Geely Holding, a copy of which is tabled at the meeting and marked **“F”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers to assist them with purchasing Geely Holding-owned brand vehicles or Geely brand vehicles (in case of the Connected Geely Dealers (as defined in the Circular)), auto accessories and services, be and is hereby approved, ratified and confirmed;
  - b. the annual caps in respect of the Geely Holding Wholesale Annual Caps (as defined in the Circular) and the Geely Holding Retail Annual Caps (as defined in the Circular) 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 under the Geely Holding Finance Cooperation Agreement.”
7. **“THAT:**
- a. the conditional agreement dated 15 September 2023 (the **“smart Finance Cooperation Agreement”**) entered into between Genius AFC and smart Sales (as defined in the Circular), a copy of which is tabled at the meeting and marked **“G”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers to assist them with purchasing smart brand vehicles, auto accessories and services, be and is hereby approved, ratified and confirmed;
  - b. the annual caps in respect of the smart Wholesale Annual Caps (as defined in the Circular) and the smart Retail Annual Caps (as defined in the Circular) for each of the three financial years ending 31 December 2026 be and hereby approved; and

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- 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 under the smart Finance Cooperation Agreement.”
8. **“THAT:**
- a. the conditional agreement dated 15 September 2023 (the **“Lotus Finance Cooperation Agreement”**) entered into between Genius AFC and Lotus Sales (as defined in the Circular), a copy of which is tabled at the meeting and marked **“H”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to provide vehicle financing services to the dealers, after-sales service providers, other sellers and retail customers to assist them with purchasing Lotus brand vehicles, auto accessories and services, be and is hereby approved, ratified and confirmed;
- b. the annual caps in respect of the Lotus Wholesale Annual Caps (as defined in the Circular) and the Lotus Retail Annual Caps (as defined in the Circular) 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 under the Lotus Finance Cooperation Agreement.”

\* *For identification purposes only*

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

Hong Kong, 8 November 2023

*Notes:*

- (1) In order to establish entitlements of attending and voting at the forthcoming extraordinary general meeting of the Company to be held on Monday, 27 November 2023, 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 Tuesday, 21 November 2023.
- (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.

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

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