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吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

**DISCLOSEABLE TRANSACTION,
CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to Geely Automobile Holdings Limited



CIMB Securities (HK) Limited

The Group entered into the following agreements:

(A) LEASE AGREEMENT

on 27 November 2009, a master agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College pursuant to which the Group agrees to lease the Properties to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College.

(B) IMPORTED PARTS PURCHASE AGREEMENT

on 27 November 2009, a master agreement between Shanghai Maple Auto Sales and Shanghai Maple pursuant to which Shanghai Maple Auto Sales agrees to purchase imported TX4 car parts from Shanghai Maple in accordance with the product and service specifications set out in the Imported Parts Purchase Agreement.

(C) ASSETS TRANSFER AGREEMENT

on 27 November 2009, a sales and purchase agreement between the Company and Geely Holding pursuant to which the Group agrees to transfer the Assets for Sale to Geely Holding Group and the Geely Holding Group agrees to transfer the Assets for Purchase to the Group.

(D) PROPERTIES ACQUISITION AGREEMENT

on 27 November 2009, a sales and purchase agreement between Shanghai Maple Guorun and Shanghai Maple pursuant to which Shanghai Maple Guorun agrees to purchase and Shanghai Maple agrees to sell the Shanghai Properties at a total consideration of RMB9,368,500 (representing approximately HK\$10,646,363).

(E) SERVICES AGREEMENT

on 27 November 2009, a master agreement between the Company and Geely Holding pursuant to which; (i) the Group agrees to sell the CKDs and Sedan Tool Kits to the Geely Holding Group; and (ii) the Geely Holding Group agrees to sell the CBUs, automobile parts and components; and provide process manufacturing services to the Group.

(F) LOAN GUARANTEE AGREEMENT

on 27 November 2009, a master agreement between the Company and Geely Holding pursuant to which the Group agrees to provide guarantees on loans obtained or to be obtained by the Geely Holding Group.

(G) SHANGHAI LTI SUPPLY AND PURCHASE AGREEMENT

on 27 November 2009, a master agreement between Shanghai LTI and Shanghai Maple pursuant to which Shanghai LTI agrees to supply to Shanghai Maple and Shanghai Maple agrees to purchase from Shanghai LTI; (i) automobile parts and components; (ii) SKD Components; and (iii) CKDs (without the imported engine, transmission and automobile parts) in accordance with the product and service specifications set out in the Shanghai LTI Supply and Purchase Agreement.

(H) SUPPLEMENTAL SERVICES AGREEMENT

on 27 November 2009, a master agreement between the Company and Geely Holding pursuant to which the parties agree to increase the annual caps for the purchase of processed automobile parts and components by the Group from the Geely Holding Group.

Each of Geely Holding, Zhejiang Automotive Vocational and Technical College and Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Accordingly, the Services Agreement, the Loan Guarantee Agreement, the Lease Agreement, the Supplemental Services Agreement, the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement constitute continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules. The Assets Transfer Agreement and the Properties Acquisition Agreement and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Rule 14A.13 of the Listing Rules.

As the applicable percentage ratios for the Lease Agreement and the Imported Parts Purchase Agreement (together, the Exempted Continuing Connected Transactions) are less than 2.5% on an annual basis, the Exempted Continuing Connected Transactions are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Services Agreement, the Loan Guarantee Agreement, the Supplemental Services Agreement and the Shanghai LTI Supply and Purchase Agreement (together, the Non-exempted Continuing Connected Transactions) are expected to be higher than 2.5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios for the Loan Guarantee Agreement exceeds 5% but less than 25% on an annual basis, the transactions under the Loan Guarantee Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios for the Connected Transactions are more than 0.1% but less than 2.5%, the Connected Transactions are subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A.32 of the Listing Rules.

Mr. Li and his associates together hold 3,751,159,000 Shares (representing approximately 51.44% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting for the resolutions to approve the Non-exempted Continuing Connected Transactions to be put forward at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions (and the relevant annual caps) are fair and reasonable and in the interest of the Company and Independent Shareholders. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

A circular containing, *inter alia*, (a) further information about the Non-exempted Continuing Connected Transactions; (b) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (c) the recommendation from the Independent Board Committee; and (d) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

The following Exempted Continuing Connected Transactions are subject to reporting and announcement and the annual review requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction contemplated under the Lease Agreement is a renewal of an existing continuing connected transaction which will be expiring on 31 December 2009. The transaction contemplated under the Imported Parts Purchase Agreement is a new continuing connected transaction.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(I) Lease Agreement

Date: 27 November 2009

Parties: The Company;
Geely Holding; and
Zhejiang Automotive Vocational and Technical College (formerly known as Zhejiang Economic Management College)

Each of Geely Holding and Zhejiang Automotive Vocational and Technical College is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is wholly-owned by Mr. Li and his associates, and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Pursuant to the Lease Agreement, the Group agrees to lease the Properties to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College.

Pricing basis: The rent for the lands and buildings on the Properties for each month shall be between RMB5 and RMB12 per square meter, which represents the market rental charge for adjacent lands and buildings in the property market.

Term: From 1 January 2010 to 31 December 2012.

Historical transaction amounts and annual caps

The Company and Geely Holding entered into the Existing Lease Agreement on 17 September 2007 pursuant to which the Company agreed to lease some properties located in Zhejiang Province, the PRC to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College. The Existing Lease Agreement has an original term commencing from the effective date of the Existing Lease Agreement to 31 December 2009. The Existing Lease Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The table below sets out the proposed annual caps for the rental payable by the Geely Holding Group and Zhejiang Automotive Vocational and Technical College to the Group for each of the three years ending 31 December 2010, 2011 and 2012:

	Historical	Historical	Estimated annual caps		
	amount for the year ended 31 December 2008 (Audited) '000	amount for the nine months ended 30 September 2009 (Unaudited) '000	2010 '000	2011 '000	2012 '000
Rental payable by the Geely Holding Group and Zhejiang Automotive Vocational and Technical College	RMB5,578 (equivalent to approximately HK\$6,339)	RMB5,632 (equivalent to approximately HK\$6,400)	RMB10,194 (equivalent to approximately HK\$11,584)	RMB10,194 (equivalent to approximately HK\$11,584)	RMB10,194 (equivalent to approximately HK\$11,584)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB16,024 (equivalent to approximately HK\$18,210)	RMB16,024 (equivalent to approximately HK\$18,210)	N/A N/A	N/A N/A	N/A N/A

As the Group only completed a restructuring to acquire additional interests in its PRC subsidiaries on 1 July 2008 (details of which are set out in the Company's circular dated 31 October 2007 and the Company's announcement dated 4 July 2008), the aforementioned transactions have only constituted continuing connected transactions of the Company for the purpose of the Listing Rules since 1 July 2008. It is noted in the above table that the historical amounts for the year ended 31 December 2008 and for the nine months ended 30 September 2009 were within their annual caps as approved by the then Independent Shareholders at an extraordinary general meetings of the Company held on 22 November 2007.

The above proposed annual caps for the rental payable by the Geely Holding Group and Zhejiang Automotive Vocational and Technical College to the Group have been determined by the Directors with reference to the rental charge for adjacent lands and buildings in the local property market and the imported molding equipment situated in the Group's premises for the process manufacturing services under the Services Agreement. The Directors (including the independent non-executive Directors) are of the view that terms of the Lease Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) estimate that apart from the lands and buildings located in Linhai and Luqiao, Zhejiang Province, the PRC, additional lands and buildings located in other regions within the PRC will be rented by the Group to Geely Holding Group and Zhejiang Automotive Vocational and Technical College in years 2010, 2011 and 2012. Accordingly, there will be a significant increase in the proposed annual cap amounts involved in the continuing connected transactions set out in the Lease Agreement for the three years ending 31 December 2012.

(II) Imported Parts Purchase Agreement

Date: 27 November 2009

Parties: Shanghai Maple Auto Sales; and
Shanghai Maple

Shanghai Maple Auto Sales is an indirect 91%-owned subsidiary of the Company.

Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai Maple is beneficially owned as to 100% by Mr. Li and his associates; and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Pursuant to the Imported Parts Purchase Agreement, Shanghai Maple Auto Sales agrees to purchase imported TX4 after-sales car parts from Shanghai Maple.

Pricing basis: The automobile parts and components to be supplied by the Shanghai Maple shall be based on the original purchase cost plus the relevant procurement cost(s), being the actual cost(s) incurred in the procurement process by Shanghai Maple. The procurement cost is subject to a maximum amount of 5% of the sum of the original purchase cost and the procurement cost.

Terms: From 1 January 2010 to 31 December 2020.

The Directors (including the independent non-executive Directors) consider that as the Imported Parts Purchase Agreement is essential to the core operation of the Group, it is to the benefit of the Company to have a term of the Imported Parts Purchase Agreement of more than 3 years.

The Company will, in compliance with the Listing Rules, make further announcement and obtain approvals from Independent Shareholders (if necessary) in relation to the annual caps after their expiry as and when necessary.

Determination of proposed caps

The table below sets out the proposed annual caps of the Imported Parts Purchase Agreement for each of the three years ending 31 December 2010, 2011 and 2012:

	Proposed annual caps for the year ending 31 December		
	2010	2011	2012
	'000	'000	'000
Imported Parts Purchase Agreement			
– Purchases of TX4 after-sales parts by Shanghai Maple Auto Sales from Shanghai Maple	RMB20,000 (equivalent to approximately HK\$22,728)	RMB30,000 (equivalent to approximately HK\$34,092)	RMB40,000 (equivalent to approximately HK\$45,456)

The above proposed annual caps for the Imported Parts Purchase Agreement have been determined by the Directors with reference to the projected units of TX4 model expected to require after-sales servicing and the estimated procurement costs of TX4 after-sales parts for Shanghai Maple.

Rule 14A.35(1) of the Listing Rules provides, in relation to non-exempt continuing connected transactions, that, *inter alia*, under special circumstances where the nature of the transaction requires the agreement to be of a duration longer than three (3) years, the independent financial adviser to the Company will be required to explain why a longer period for the agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. Such opinion will be included in the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors) are of the view that terms of the Imported Parts Purchase Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

The following Connected Transactions are subject to reporting and announcement but are exempt from Independent Shareholders' approval requirements under Chapter 14A.32 of the Listing Rules.

(I) Assets Transfer Agreement

Date: 27 November 2009

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associates, and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Pursuant to the Assets Transfer Agreement, the Group agrees to transfer the Assets for Sale to Geely Holding Group and Geely Holding Group agrees to transfer the Assets for Purchase to the Group.

No profit was attributable to the Assets for Purchase or Assets for Sale for the two financial years ended 31 December 2008.

The loss on disposal for the Assets for Sale amounts to approximately RMB3,744,455 (equivalent to approximately HK\$4,255,199). Such loss was calculated based on the difference between the consideration paid and the net book value of the Assets for Sale as at 31 October 2009 of RMB90,617,077 (equivalent to approximately HK\$102,977,246) as shown in the unaudited management accounts prepared in accordance with the PRC generally accepted accounting principles. Proceeds from the disposal of the Assets for Sale will be applied towards the working capital of the Group.

The original purchase cost of the Assets for Purchase was RMB363,954,540 (equivalent to approximately HK\$413,597,939).

Consideration: (i) *Assets for Sale:*

RMB86,872,622 (equivalent to approximately HK\$98,722,048). The consideration has been arrived at after arm's length negotiations between the Company and Geely Holding with reference to the appraised value for the Assets for Sale of RMB86,872,622 (equivalent to approximately HK\$98,722,048) as at 31 October 2009 prepared by Shanghai Wan Long Assets Evaluation Co., Ltd and Taizhou Zhongtian Assets Evaluation Co., Ltd., the independent valuers, using cost approach, which will be satisfied in cash upon the passing of the title of the relevant assets being transferred.

(ii) *Assets for Purchase:*

RMB128,546,383 (equivalent to approximately HK\$146,080,110).

The consideration has been arrived at after arm's length negotiations between the Company and Geely Holding with reference to the aggregate net asset values of the Assets for Purchase of RMB128,546,383 (equivalent to approximately HK\$146,080,110) as at the respective estimated dates of transfer. As at 31 October 2009, the net asset value of the Assets for Purchase was RMB224,898,146 (equivalent to approximately HK\$255,574,253) which will be subject to straight-line depreciation from then onwards up to the respective estimated dates of transfer according to the Group's accounting policy. The consideration is to be satisfied by the Company in cash upon the passing of the title of the relevant assets being transferred. The Group intends to finance the acquisition out of its internal resources.

As the consideration for the Assets for Sale is based on the total appraised value prepared by independent valuers and the consideration for the Assets for Purchase is based on the aggregate net asset values as at the estimated dates of transfer which is lower than the total original purchase cost, the Directors (including the independent non-executive Directors) consider that the terms of the Assets Transfer Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(II) Properties Acquisition Agreement

Date: 27 November 2009

Parties: Shanghai Maple Guorun; and
Shanghai Maple

Shanghai Maple Guorun is an indirect 91%-owned subsidiary of the Company.

Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai Maple is beneficially owned as to 100% by Mr. Li and his associates; and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Shanghai Maple Guorun agrees to buy Shanghai Properties from Shanghai Maple.

Shanghai Properties are currently leased to Shanghai Maple Guorun for use as staff quarter at zero cost. No profit was attributable to the Shanghai Properties for the two financial years ended 31 December 2007 and 2008.

Consideration: RMB9,368,500 (equivalent to approximately HK\$10,646,363).

The consideration has been arrived at after arm's length negotiations between Shanghai Maple Guorun and Shanghai Maple with reference to the net asset value of the Shanghai Properties of RMB9,368,500 (equivalent to approximately HK\$10,646,363) as at 31 October 2009, which will be satisfied in cash by Shanghai Maple Guorun out of its internal resources.

The original acquisition cost of the Shanghai Properties by Shanghai Maple was RMB10,386,497 (equivalent to approximately HK\$11,803,215).

As the consideration for the acquisition of the Shanghai Properties is lower than the appraised value of RMB9,984,000 (equivalent to approximately HK\$11,345,818) of the Shanghai Properties as at 31 October 2009 carried out by Shanghai Wan Long Assets Evaluation Co., Ltd, an independent valuer, using cost approach, the Directors (including the independent non-executive Directors) consider that the terms of the Properties Acquisition Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following Non-exempted Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Services Agreement and the Loan Guarantee Agreement are renewals of existing continuing connected transactions which will all be expiring on 31 December 2009. The transaction contemplated under the Shanghai LTI Supply and Purchase Agreement is a new continuing connected transaction. The Supplemental Services Agreement is a supplemental agreement to the Existing August 09 Services Agreement.

(I) Services Agreement

Date: 27 November 2009

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associates, and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Term: From 1 January 2010 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever the later) to 31 December 2020. The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the independent financial adviser) consider that as the Services Agreement is essential to the core operation of the Group, it is to the benefit of the Company to have a term of the Services Agreement of more than 3 years.

The Company will, in compliance with the Listing Rules, make further announcement and obtain approvals from Independent Shareholders (if necessary) in relation to the annual caps after their expiry as and when necessary.

Condition precedent for the Services Agreement

Completion of the Services Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Services Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Services Agreement will lapse and all the obligations and liabilities of the parties to the Services Agreement will cease and terminate.

(i) Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group

Subject matter: Pursuant to the Services Agreement, the Group agrees to supply to the Geely Holding Group, CKDs and Sedan Tool Kits in accordance with the product specifications set out in the Services Agreement. During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group. The additional services, subject to the Group's ability in providing the requested services based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and compliance with the Listing Rules, shall be related to services that might occur in the process of manufacturing of CKDs and Sedan Tool Kits for new models in the future.

Pricing basis: Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, shall be sold to the Geely Holding Group based on the selling price of the sedans to end customers less distribution costs, costs of Sedan Tool Kits, the PRC taxes, mainly the consumption tax, and costs of other necessary and reasonable expenses. The Sedan Tool Kits to be supplied by the Group to the Geely Holding Group shall be based on the cost of the Sedan Tool Kits to the Group. Such pricing basis pursuant to the Services Agreement was determined by the parties on normal commercial terms as the Sedan Tool Kits will be sold back to the Group for distribution to the end customers.

Historical transaction amounts and annual caps

The Company and Geely Holding entered into the Existing Services Agreement on 17 September 2007 pursuant to which the Group agreed to sell the CKDs and Sedan Tool Kits to the Geely Holding Group. The Existing Services Agreement has an original term commencing from the effective date of the Existing Services Agreement to 31 December 2009. The Existing Services Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The table below sets out the historical transactions and the proposed annual caps for the sales of CKDs and Sedan Tool Kits pursuant to the Services Agreement for each of the three years ending 31 December 2010, 2011 and 2012:

	Historical amount for the year ended 31 December 2008 (Audited) '000	Historical amount for the nine months ended 30 September 2009 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
			2010	2011	2012
			'000	'000	'000
Sales of CKDs	RMB3,200,865 (equivalent to approximately HK\$3,637,463)	RMB7,773,105 (equivalent to approximately HK\$8,833,357)	RMB22,595,838 (equivalent to approximately HK\$25,677,910)	RMB34,097,304 (equivalent to approximately HK\$38,748,176)	RMB46,942,998 (equivalent to approximately HK\$53,346,023)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB10,275,245 (equivalent to approximately HK\$11,676,788)	RMB12,707,335 (equivalent to approximately HK\$14,440,615)	N/A N/A	N/A N/A	N/A N/A
Sales of Sedan Tool Kits	RMB7,691 (equivalent to approximately HK\$8,740)	RMB2,247 (equivalent to approximately HK\$2,553)	RMB25,825 (equivalent to approximately HK\$29,348)	RMB35,370 (equivalent to approximately HK\$40,194)	RMB47,475 (equivalent to approximately HK\$53,951)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB13,125 (equivalent to approximately HK\$14,915)	RMB16,500 (equivalent to approximately HK\$18,751)	N/A N/A	N/A N/A	N/A N/A
Total:	RMB3,208,556 (equivalent to approximately <u>HK\$3,646,203</u>)	RMB7,775,352 (equivalent to approximately <u>HK\$8,835,910</u>)	RMB22,621,663 (equivalent to approximately <u>HK\$25,707,258</u>)	RMB34,132,674 (equivalent to approximately <u>HK\$38,788,371</u>)	RMB46,990,473 (equivalent to approximately <u>HK\$53,399,974</u>)

As the Group only completed a restructuring to acquire additional interests in its PRC subsidiaries on 1 July 2008 (details of which are set out in the Company's circular dated 31 October 2007 and the Company's announcement dated 4 July 2008), the aforementioned transactions have only constituted continuing connected transactions of the Company for the purpose of the Listing Rules since 1 July 2008. It is noted in the above table that the historical amounts for the year ended 31 December 2008 and for the nine months ended 30 September 2009 were within their annual caps as approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The above proposed annual caps for the purchases of CKDs by the Geely Holding Group from the Group have been determined by the Directors with reference to the historical transaction amounts; the projected units of sedan to be sold based on the sales budget of the Group, the number of new models to be introduced in the market and the estimated selling price per sedan less the distribution costs, estimated unit cost of Sedan Tool Kits, the PRC taxes, mainly the consumption tax per sedan, and the estimated costs of other necessary and reasonable expenses.

The above proposed annual caps for the purchases of Sedan Tool Kits by the Geely Holding Group from the Group have been determined by the Directors with reference to the historical transaction amounts; the projected units of sedan to be sold based on the sales budget of the Group; and the estimated unit cost of Sedan Tool Kits to the Group.

(ii) Sales of CBUs, automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group

Subject matter: Pursuant to the Services Agreement, the Geely Holding Group agrees to sell to the Group the CBUs, automobile parts and components; and provide process manufacturing services to the Group in accordance with the product and service specifications set out in the Services Agreement.

Pricing basis: Pursuant to the Services Agreement, the CBUs, depending on the models, shall be sold to the Group based on the selling price of the sedans to end customers less distribution costs. The automobile parts and components to be supplied by the Geely Holding Group shall be based on the original purchase cost plus the relevant procurement cost(s), being the actual cost(s) incurred in the procurement process by the Geely Holding Group. With regard to the process manufacturing services, the fee to be charged by the Geely Holding Group shall be based on the annual linear depreciation of the value of the imported molding equipment plus the actual cost incurred by Geely Holding Group for the process manufacturing services. Such pricing basis pursuant to the Services Agreement was determined by the parties on an arm's length basis.

Historical transaction amounts and annual caps

The Company and Geely Holding entered into the Existing Services Agreement on 17 September 2007 pursuant to which Geely Holding Group agreed to sell the CBUs, automobile parts and components; and provide process manufacturing services to the Group. The Existing Services Agreement has an original term commencing from the effective date of the Existing Services Agreement to 31 December 2009. The Existing Services Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The table below sets out the historical amounts and the proposed annual caps for the purchases of CBUs, automobile parts and components and the process manufacturing services fees pursuant to the Services Agreement for each of the three years ending 31 December 2010, 2011 and 2012:

	Historical amount for the year ended 31 December 2008 (Audited) '000	Historical amount for the nine months ended 30 September 2009 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
			2010 '000	2011 '000	2012 '000
Purchases of CBUs	RMB3,906,663 (equivalent to approximately HK\$4,439,532)	RMB8,619,530 (equivalent to approximately HK\$9,795,234)	RMB24,301,748 (equivalent to approximately HK\$27,616,506)	RMB36,905,446 (equivalent to approximately HK\$41,939,349)	RMB50,473,652 (equivalent to approximately HK\$57,358,258)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB10,703,380 (equivalent to approximately HK\$12,163,321)	RMB13,236,807 (equivalent to approximately HK\$15,042,307)	N/A N/A	N/A N/A	N/A N/A
Purchases of automobile parts and components	RMB2,581,268 (equivalent to approximately HK\$2,933,353)	RMB4,390,871 (equivalent to approximately HK\$4,989,786)	RMB11,257,414 (equivalent to approximately HK\$12,792,925)	RMB11,746,054 (equivalent to approximately HK\$13,348,216)	RMB8,904,623 (equivalent to approximately HK\$10,119,214)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB2,985,619 (equivalent to approximately HK\$3,392,857)	RMB7,737,614 (equivalent to approximately HK\$8,793,025)	N/A N/A	N/A N/A	N/A N/A

	Historical amount for the year ended 31 December 2008 (Audited) '000	Historical amount for the nine months ended 30 September 2009 (Unaudited) '000		Estimated annual caps for the year ending 31 December		
			2010	2011	2012	
			'000	'000	'000	
Process manufacturing services fees	RMB17,453 (equivalent to approximately HK\$19,834)	RMB28,895 (equivalent to approximately HK\$32,836)	RMB133,256 (equivalent to approximately HK\$151,432)	RMB130,202 (equivalent to approximately HK\$147,962)	RMB113,455 (equivalent to approximately HK\$128,930)	
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB121,580 (equivalent to approximately HK\$138,164)	RMB194,546 (equivalent to approximately HK\$221,082)	N/A N/A	N/A N/A	N/A N/A	
Total:	RMB6,505,384 (equivalent to approximately HK\$7,392,719)	RMB13,039,296 (equivalent to approximately HK\$14,817,856)	RMB35,692,418 (equivalent to approximately HK\$40,560,863)	RMB48,781,702 (equivalent to approximately HK\$55,435,527)	RMB59,491,730 (equivalent to approximately HK\$67,606,402)	

As the Group only completed a restructuring to acquire additional interests in its PRC subsidiaries on 1 July 2008 (details of which are set out in the Company's circular dated 31 October 2007 and the Company's announcement dated 4 July 2008), the aforementioned transactions have only constituted continuing connected transactions of the Company for the purpose of the Listing Rules since 1 July 2008. It is noted in the above table that the historical amounts for the year ended 31 December 2008 and for the nine months ended 30 September 2009 were within their annual caps as approved by the then Independent Shareholders at an extraordinary general meetings of the Company held on 22 November 2007 and 23 September 2009.

The above proposed annual caps for the purchases of CBUs by the Group from the Geely Holding Group have been determined by the Directors with reference to the historical transaction amounts; the projected units of sedan to be sold based on the sales budget of the Group; the number of new models to be introduced in the market and the estimated selling price per sedan less distribution costs per sedan.

The proposed annual caps for the purchases of automobile parts and components by the Group from the Geely Holding Group have been determined by the Directors with reference to the historical transaction amounts, the estimated increase in percentage of total procurement on automobile parts and components by the Group sourcing from the Geely Holding Group, given the Group will gradually shift the procurement of automobile parts and components currently undertaken by Geely Holding Group back to itself.

The proposed annual caps for the process manufacturing services fees charged by the Geely Holding Group have been determined by the Directors with reference to the estimated cost of imported molding equipment required for process manufacturing services, the estimated cost incurred for the process manufacturing services, including the associated lease payments incurred by the Geely Holding Group given that the process manufacturing services are requested by the Group, and the annual depreciation rate for the molding equipment which is consistent with the accounting policy of the Group.

The Group is principally engaged in the manufacturing and trading of automobiles, automobile parts and related automobile components in the PRC. As noted in the Company's annual report 2008, the Directors believe that there will be substantial growth in car demand in China in the coming decade, due to China's consistent economy growth, its rising household incomes and its low car ownership with only 1% of the population owning a sedan at present. Also, according to the figures released by the China Association of Automobile Manufacturers, total sales volume of passenger cars in China increased by 37% to 3.8 million units in 2008, surpassing most market expectations. Although fierce competition in China's sedan market remains, the Directors expect growth of China's sedan sales volume to be maintained at around 20% in the coming few years. In the first ten months of 2009, the Group has sold 246,500 units of vehicle, achieving 99% of its full year sales volume target of 250,000 units, thanks to the promising domestic sales performance after the implementation of "Stimulus Package for Automobile Industry" in early 2009 and the introduction of fuel tax in January 2009 by the Chinese government, which have been more than offset the significant slow down in the Group's export business as a result of the global financial crisis started in late 2008. In order to tap into the increasing demand for Geely's sedans in the inland regions in mainland China, the Group has recently signed agreements with the Geely Holding Group to acquire three new manufacturing facilities in Chengdu of Sichuan Province, Jinan of Shandong Province and Lanzhou of Gansu Province. These new manufacturing plants, upon their gradual commencement of production, the upgrading and expansion of the existing production facilities in Ningbo, Shanghai, Linhai, Luqiao and Hunan, the introduction of other new higher-priced models in the market, the implementation of "Multi-brand Strategy" in the area of product marketing and "Platform Strategy" in the area of new products development and the gradual revival of the export markets, would enable the Group entering into a rapid growth period in the coming years. Accordingly, the Directors estimate the proposed annual caps amounts involved in the sales of CKDs and Sedan Tool Kits, the purchase of CBUs and process manufacturing services set out in the Services Agreement will increase significantly. As the Group will gradually shift the procurement of automobile parts and components currently undertaken by Geely Holding Group back to itself, it is expected that the proposed annual cap amounts involved in the purchases of automobile parts and components will decrease gradually.

Rule 14A.35(1) of the Listing Rules provides, in relation to non-exempt continuing connected transactions, that, *inter alia*, under special circumstances where the nature of the transaction requires the agreement to be of a duration longer than three (3) years, the independent financial adviser to the Company will be required to explain why a longer period for the agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. Such opinion will be included in the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that terms of the Services Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

(II) Loan Guarantee Agreement

Date: 27 November 2009

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associates, and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Pursuant to the Loan Guarantee Agreement, the Group agrees to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group in relation to the manufacture and research and development of sedans of the Group.

The Geely Holding Group (i) guarantees that the loans will only be utilized for sedan manufacturing and research and development activity relating to the Group; (ii) would obtain consent from the Group prior to drawdown of the loans; and (iii) agrees to provide counter indemnities on the Guarantees.

Term: From 1 January 2010 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever the later) to 31 December 2012.

The terms of the Loan Guarantee Agreement are essentially identical to the Existing Loan Guarantee Agreement dated 17 September 2007.

Condition precedent for the Loan Guarantee Agreement

Completion of the Loan Guarantee Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Loan Guarantee Agreement and the Guarantees.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Loan Guarantee Agreement will lapse and all the obligations and liabilities of the parties to the Loan Guarantee Agreement will cease and terminate.

Historical transaction amounts and annual caps

The Company and Geely Holding entered into the Existing Loan Guarantee Agreement on 17 September 2007 pursuant to which the Company agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group. The Existing Loan Guarantee Agreement has an original term commencing from the effective date of the Existing Loan Guarantee Agreement to 31 December 2009. The Existing Loan Guarantee Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The table below sets out the historical transaction amounts and the proposed annual caps for the aggregate guarantee amount to be provided by the Group pursuant to the Loan Guarantee Agreement for each of the three years ending 31 December 2010, 2011 and 2012:

	Highest historical amount for the year ended	Highest historical amount for the nine months ended	Estimated annual caps for the year ending		
	31 December 2008 (Audited) '000	30 September 2009 (Unaudited) '000	2010 '000	2011 '000	2012 '000
Aggregate guarantee amount	RMB770,000 (equivalent to approximately HK\$875,028)	RMB770,000 (equivalent to approximately HK\$875,028)	RMB1,000,000 (equivalent to approximately HK\$1,136,400)	RMB900,000 (equivalent to approximately HK\$1,022,760)	RMB800,000 (equivalent to approximately HK\$909,120)
Approved annual cap amount for the two financial years ending 31 December 2009 ('000)	RMB850,000 (equivalent to approximately HK\$965,940)	RMB850,000 (equivalent to approximately HK\$965,940)	N/A N/A	N/A N/A	N/A N/A

As the Group only completed a restructuring to acquire additional interests in its PRC subsidiaries on 1 July 2008 (details of which are set out in the Company's circular dated 31 October 2007 and the Company's announcement dated 4 July 2008), the aforementioned transactions have only constituted continuing connected transactions of the Company for the purpose of the Listing Rules since 1 July 2008. It is noted in the above table that the highest historical amounts for the year ended 31 December 2008 and for the nine months ended 30 September 2009 were within their annual caps as approved by the then Independent Shareholders at an extraordinary general meetings of the Company held on 22 November 2007.

The Directors estimate that in order to tap into the increasing demand for the Company's sedans in the future, funding resources have to be devoted to the research and development activities, which include the new car model design, development of new engine, gearbox, electronic and electric auto-related components, etc, of the Group. The Geely Holding Group currently provides a good gateway for the Company to obtain loans at cheaper finance costs for sedan manufacturing and research and development activity through its long-term relationship with certain PRC banks. Guarantees including the pledge of certain lands, buildings and facilities of the Group are required by these banks. The proposed annual caps for the Group's guarantees are referenced to the aggregate guarantee amount on the loans obtained of approximately RMB420 million (equivalent to approximately HK\$477 million) as at 31 October 2009 and on the loans to be obtained by the Geely Holding Group of approximately RMB600 million (equivalent to approximately HK\$682 million) starting from the effective date of the Loan Guarantee Agreement in relation to the sedan manufacturing and research and development activity relating to the Group. Given that (i) the Guarantees will be counter indemnified by the Geely Holding Group; (ii) the Geely Holding Group would obtain consent from the Group prior to drawdown of the loans and (iii) the Group is the ultimate borrower of the loans for the manufacture and research and development of sedans, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that terms of the Guarantees and the Loan Guarantee Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

(III) Shanghai LTI Supply and Purchase Agreement

Date: 27 November 2009

Parties: Shanghai LTI (as supplier); and
Shanghai Maple (as buyer)

Shanghai LTI is an indirect non-wholly owned subsidiary of the Company.

Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai Maple is beneficially owned as to 100% by Mr. Li and his associates; and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: Pursuant to the Shanghai LTI Supply and Purchase Agreement, Shanghai LTI agrees to supply to Shanghai Maple and Shanghai Maple agrees to purchase from the Shanghai LTI (i) automobile parts and components; (ii) SKD Components; and (iii) CKDs (without the imported engine, transmission and automobile parts).

Pricing basis: The parts and components shall be sold to Shanghai Maple at a price of cost plus 3%.

The SKD Components to be sold to Shanghai Maple at a price of cost plus 3%.

The CKDs (without the imported engine, transmission and automobile parts) to be sold to Shanghai Maple based on the selling price of the sedans to end customers less distribution costs, costs of the Sedan Took Kits, the PRC taxes, mainly the consumption tax, the cost of other necessary and reasonable expenses and the original purchase cost of imported engine, transmission and automobile parts by Shanghai Maple.

Every three years, the board of the Shanghai LTI will formally evaluate whether it would be necessary or appropriate to initiate discussions with the Shanghai Maple in relation to the aforementioned pricing basis to ensure fairness to the Shanghai LTI by making reference to the prevailing fair market price at the time of the evaluation. The first of these evaluations shall commence on the third anniversary of the effective date of the Shanghai LTI Supply and Purchase Agreement.

Term: From 1 January 2010 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever the later) to 6 March 2057, which is equal to the expiry date of the Shanghai LTI.

The Company will, in compliance with the Listing Rules, make further announcement and obtain approvals from Independent Shareholders (if necessary) in relation to the annual caps after their expiry as and when necessary.

Condition precedent for the Shanghai LTI Supply and Purchase Agreement

Completion of the Shanghai LTI Supply and Purchase Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Shanghai LTI Supply and Purchase Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Shanghai LTI Supply and Purchase Agreement will lapse and all the obligations and liabilities of the parties to the Shanghai LTI Supply and Purchase Agreement will cease and terminate.

Determination of proposed caps

The table below sets out the proposed annual caps of the Shanghai LTI Supply and Purchase Agreement for each of the three years ending 31 December 2010, 2011 and 2012:

	Proposed annual caps for the year ending 31 December		
	2010 '000	2011 '000	2012 '000
Shanghai LTI Supply and Purchase Agreement			
– Sales of automobile parts and components from Shanghai LTI to Shanghai Maple	RMB60,000 (equivalent to approximately HK\$68,184)	RMB70,000 (equivalent to approximately HK\$79,548)	RMB80,000 (equivalent to approximately HK\$90,912)
– Sales of SKD Components from Shanghai LTI to Shanghai Maple	RMB72,000 (equivalent to approximately HK\$81,821)	RMB160,000 (equivalent to approximately HK\$181,824)	RMB240,000 (equivalent to approximately HK\$272,736)
– Sales of CKDs (without the imported engine, transmission and automobile parts) from Shanghai LTI to Shanghai Maple	RMB918,708 (equivalent to approximately HK\$1,044,020)	RMB1,721,172 (equivalent to approximately HK\$1,955,940)	RMB2,226,959 (equivalent to approximately HK\$2,530,716)
Total:	RMB1,050,708 (equivalent to approximately HK\$1,194,025)	RMB1,951,172 (equivalent to approximately HK\$2,217,312)	RMB2,546,959 (equivalent to approximately HK\$2,894,364)

The above proposed annual caps for the Shanghai LTI Supply and Purchase Agreement have been determined by the Directors with reference to projected units of sedan to be sold and the estimated selling price per sedan, based on the sales budget for the Shanghai LTI. The Directors have also considered the scale of operation of the Shanghai LTI in determining the annual caps. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that terms of the Shanghai LTI Supply and Purchase Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

RENEWAL OF ANNUAL CAPS

Reference is made to the announcement of the Company on 20 August 2009 in relation to the Existing August 09 Services Agreement. In order to increase the annual caps for the purchase of processed automobile parts and components by the Group from the Geely Holding Group, the Company and Geely Holding entered into a Supplemental Services Agreement with details as follows:

Supplemental Services Agreement

Date: 27 November 2009

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associates, and Mr. Li is an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Subject matter: To increase the annual caps of the Existing August 09 Services Agreement for the purchase of processed automobile parts and components from the Geely Holding Group by the Group for the year ending 31 December 2010 and 31 December 2011 from RMB205,296,000 (equivalent to approximately HK\$233,298,374) to RMB1,101,004,000 (equivalent to approximately HK\$1,251,180,946) and from RMB359,153,000 (equivalent to approximately HK\$408,141,469) to RMB2,554,814,000 (equivalent to approximately HK\$2,903,290,630), respectively.

Save for the increase in the annual caps for the year ending 31 December 2010 and 2011, and the update of the condition precedent (as detailed below), the other terms of the Supplemental Services Agreement are essentially identical to the Existing August 09 Services Agreement.

Condition precedent:

The Supplemental Services Agreement will be subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve, among others, the Supplemental Services Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Supplemental Services Agreement will lapse and all the obligations and liabilities of the parties to the Supplemental Services Agreement will cease and terminate.

Historical Transaction Amounts:

The Company and Geely Holding entered into the Existing August 09 Services Agreement on 20 August 2009 pursuant to which the Company agreed to purchase processed automobile parts and components from the Geely Holding Group. The Existing August 09 Services Agreement has an original term commencing from the effective date of the Existing August 09 Services Agreement to 31 December 2011. The Existing August 09 Services Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 23 September 2009.

The increase in the annual caps is due to the increase in the number of automobile parts and components to be purchased by the Group from the Geely Holding Group as a result of the increase in the number of different vehicle models being manufactured by the Group.

In view of the anticipated increase in procurement of processed automobile parts and components from the Geely Holding Group, it is expected that the annual caps for the year ending 31 December 2010 and 2011 in respect of the Existing August 09 Services Agreement will be exceeded. In this connection, the parties agreed to increase the annual caps for the years ending 31 December 2010 and 2011 from RMB205,296,000 (equivalent to approximately HK\$233,298,374) to RMB1,101,004,000 (equivalent to approximately HK\$1,251,180,946) and from RMB359,153,000 (equivalent to approximately HK\$408,141,469) to RMB2,554,814,000 (equivalent to approximately HK\$2,903,290,630), respectively.

INFORMATION ON THE PARTIES

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 and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

Zhejiang Automotive Vocational and Technical College is principally engaged in the provision of education-related services.

Shanghai Maple Auto Sales is principally engaged in the marketing and sales of automobiles in the PRC.

Shanghai Maple Guorun is principally engaged in the research, development, production, and sales of automobiles and related automobile components in the PRC.

Shanghai Maple is principally engaged in manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts.

Shanghai LTI is principally engaged in the research, development, production, and sales of automobiles and related automobile components in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

Lease Agreement

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Lease Agreement are beneficial to the Group as it can provide an additional source of stable recurring income from its surplus lands and buildings. The Directors also consider that the Lease Agreement has been arrived at after an arm's length negotiation between the parties to the Lease Agreement, on normal commercial terms and with reference to the rental charge for adjacent lands and buildings in the local property market and the imported molding equipment situated in the Group's premises for the process manufacturing services under the Services Agreement.

Imported Parts Purchase Agreement

It is expected that Shanghai Maple Auto Sales will commence the rendering of after-sales services of TX4 model in the PRC in 2010. Certain imported after-sales parts are required for Shanghai Maple Auto Sales to render after-sales services. Only certain subsidiaries of the Geely Holding Group, including Shanghai Maple, have the right to import these TX4 after-sales parts required by the Group with the relatively low import tax advantage. The Directors consider that the above continuing connected transactions contemplated under the Imported Parts Purchase Agreement are beneficial to the Group. The Directors (including the independent non-executive Directors) consider that the Imported Parts Purchase Agreement has been arrived at after an arm's length negotiation between the parties to the Imported Parts Purchase Agreement, on normal commercial terms and are in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) are of the view that terms of the Imported Parts Purchase Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Assets Transfer Agreement

(i) Assets for Sale

As the Assets for Sale are no longer required by the Group in its production process and given that the selling price for the Assets for Sale under the Assets Transfer Agreement will be based on the appraised value to be determined by independent valuers, the Directors (including the independent non-executive Directors) are of the view that the selling of the Assets for Sale to the Geely Holding Group under the Assets Transfer Agreement, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) *Assets for Purchase*

Geely Holding and its subsidiaries are principally engaged in sales of CBUs and automobile parts and components wholesale and retail businesses. As the Group is not in the possession of certain automobile products catalogue issued by the National Development Reform Commission (the “NDRC”) in the PRC, certain Assets for Purchase were originally purchased under certain subsidiaries of the Geely Holding Group. Given that the purchase price for the Assets for Purchase under the Assets Transfer Agreement will be at their respective net asset value as at the estimated dates of transfer, the Directors (including the independent non-executive Directors) are of the view that the acquisition of the Assets for Purchase from the Geely Holding Group under the Assets Transfer Agreement, which has been and will continue to be used for the production of sedans by the Group, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Properties Acquisition Agreement

Shanghai Maple Guorun has been leasing the Shanghai Properties from Shanghai Maple for use as staff quarter at zero cost since June 2009. Taking into account the appraised value of the Shanghai Properties as referred to in the valuation, the Directors consider that the acquisition contemplated under the Properties Acquisition Agreement provides a good opportunity for Shanghai Maple Guorun to acquire the Shanghai Properties at a reasonable price and continue its use of the Shanghai Properties as its staff quarter.

Services Agreement

(i) *Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group and Sales of CBUs from the Geely Holding Group to the Group:*

The Geely Holding Group performs final assembly on the CKDs and the Sedan Tool Kits and facilitates payment of the PRC consumption tax. After performing final assembly, the Geely Holding Group sells the CBUs back to the Group’s sales companies for distribution to end customers. The Directors consider that as the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission (NDRC) in the PRC, which is required to facilitate payment of the PRC consumption tax, the above continuing connected transactions contemplated under the Services Agreement will ensure smooth operation of the Group as certain subsidiaries of the Geely Holding Group hold the relevant approved automobile products catalogue, which is required to facilitate payment of the PRC consumption tax.

(ii) *Sales of automobile parts and components from the Geely Holding Group to the Group:*

The Directors consider that the above continuing connected transactions contemplated under the Services Agreement are beneficially to the Group as the Geely Holding Group has long-term relationship with suppliers of these automobile parts and components. Procurement of the automobile parts and components through the Geely Holding Group would enable a stable source of raw materials at a competitive cost to the Group.

(iii) Provision of process manufacturing services from the Geely Holding Group to the Group:

Certain imported molding equipment are required for the manufacturing of sedans by the Group. Only certain subsidiaries of the Geely Holding Group have the right to import these molding equipment required by the Group, the Directors consider that the above continuing connected transactions contemplated under the Services Agreement are beneficial to the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the Services Agreement has been arrived at after an arm's length negotiation between the parties to the Services Agreement, on normal commercial terms and are in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) also considered that the annual caps comprise the lease payments incurred by the Geely Holding Group associated with the process manufacturing services which are requested by the Group. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that terms of the Services Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Loan Guarantee Agreement

In view of the long-term good relationship with certain PRC banks, the Geely Holding Group is in a better position to obtain relatively larger loans on behalf of the Group at cheaper finance costs for sedan manufacturing and research and development activity relating to the Group. Given that the Geely Holding Group (i) guarantees that the loans will only be utilized for sedan manufacturing and research and development activity relating to the Group; (ii) would obtain consent from the Group prior to drawdown of the loans; and (iii) the Group is the ultimate borrowers of the loans for the manufacture and research and development of sedans, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the Guarantees and the continuing connected transactions contemplated under the Loan Guarantee Agreement will enhance the Group's future development.

Shanghai LTI Supply and Purchase Agreement

(i) Sale of automobile parts and components

The Directors consider that entering into of the Shanghai LTI Supply and Purchase Agreement with selling price of automobile parts and components based on normal commercial terms or no less favourable terms than those quoted by independent third parties (as the case maybe) would enhance the demand of products produced by the Shanghai LTI.

(ii) Sale of SKD Components; and (iii) CKDs (without the imported engine, transmission and automobile parts)

Shanghai Maple, in its ordinary and usual course of business, performs final assembly, sale and distribution of automobiles in the PRC. As Shanghai Maple holds the relevant approved automobile products catalogue which is required for the sale of automobiles in the PRC under the PRC laws, and the terms of the Shanghai LTI Supply and Purchase Agreement are based on normal commercial terms or no less favourable terms than those quoted by independent third parties (as the case maybe), the Directors consider that it is in the interest of the Shanghai LTI to supply the SKD Components and CKDs to Shanghai Maple for final assembly, sales and distribution.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that terms of the Shanghai LTI Supply and Purchase Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Supplemental Services Agreement

The Group has been purchasing necessary processed automobile parts and components from the Geely Holding Group under the Existing August 09 Services Agreement. The original annual cap in relation to the purchase of processed automobile parts and components for the years ending 31 December 2010 and 2011 was determined based on, amongst all, projected units of automobile parts and components to be sold based on the production budget of the Group.

The increase in the annual caps is due to the increase in the number of automobile parts and components to be purchased by the Group from the Geely Holding Group as a result of the increase in the number of vehicle models being manufactured by the Group.

As it is expected that there will be a continual improvement in the Group's product mix towards more high-end models, which will require the processed automobile parts and components to be sourced from the Geely Holding Group, together with the substantial demand for these high-end models, the need of processed automobile parts and components for the production of these high-end models are expected to exceed the original annual caps as set in the Existing August 09 Services Agreement. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the increase in annual caps for the purchase of processed automobile parts and components contemplated under the Supplemental Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of Geely Holding, Zhejiang Automotive Vocational and Technical College and Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 51.44% interest in the issued share capital of the Company.

Accordingly, the Services Agreement, the Loan Guarantee Agreement, the Lease Agreement, the Supplemental Services Agreement, the Imported Parts Purchase Agreement, the Shanghai LTI Supply and Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules. The Assets Transfer Agreement and the Properties Acquisition Agreement and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Rule 14A.13 of the Listing Rules.

As the applicable percentage ratios for the Lease Agreement and the Imported Parts Purchase Agreement (together, the Exempted Continuing Connected Transactions) are less than 2.5% on an annual basis, the Exempted Continuing Connected Transactions are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Services Agreement, the Loan Guarantee Agreement, the Supplemental Services Agreement and the Shanghai LTI Supply and Purchase Agreement (together, the Non-exempted Continuing Connected Transactions) are expected to be higher than 2.5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios for the Loan Guarantee Agreement exceeds 5% but less than 25% on an annual basis, the transactions under the Loan Guarantee Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios for the Connected Transactions are more than 0.1% but less than 2.5%, the Connected Transactions are subject to the reporting and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A.32 of the Listing Rules.

Mr. Li and his associates together hold 3,751,159,000 Shares (representing approximately 51.44% of the issued share capital of the Company) as at the date of this announcement, will abstain from voting for the resolutions to approve the Non-exempted Continuing Connected Transactions to be put forward at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions (and the relevant annual caps) are fair and reasonable and in the interest of the Company and Independent Shareholders. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

GENERAL

A circular containing, *inter alia*, (a) further information about the Non-exempted Continuing Connected Transactions; (b) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (c) the recommendation from the Independent Board Committee; and (d) a notice of the EGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Assets for Purchase”	assets (mainly comprising quality control testing lines, molding machines and lathe) as specified in appendix II of the Assets Transfer Agreement for the use of production of cars
“Assets for Sale”	assets (mainly comprising spot welding machines, hydraulic punching machines, molding machines, electronic workshop, and lathe) as specified in appendix I of the Assets Transfer Agreement for the use of production of cars
“Assets Transfer Agreement”	the agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the subsection headed “(I) Assets Transfer Agreement” of the section headed “Connected Transactions” of this announcement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CKD(s)”	Complete Knock Down Kit(s) or CKD(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Connected Transactions”	the transactions contemplated under the Assets Transfer Agreement and the Properties Acquisition Agreement

“Continuing Connected Transactions”	collectively, the transactions contemplated under the Services Agreement, the Loan Guarantee Agreement, the Lease Agreement, the Supplemental Services Agreement, the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Non-exempted Continuing Connected Transactions (including the relevant caps)
“Exempted Continuing Connected Transactions”	collectively, the transactions contemplated under the Lease Agreement and the Imported Parts Purchase Agreement
“Existing August 09 Services Agreement”	the master agreement dated 20 August 2009 entered into between the Company and Geely Holding for, amongst all, sales of (i) automobile parts and components, (ii) brakes, and (iii) pressing parts, engines and transmissions by the Group to the Geely Holding Group; and purchase of processed automobile parts and components by the Group from the Geely Holding Group, details of which are contained in the Company’s announcement dated 20 August 2009 and the Company’s circular dated 8 September 2009
“Existing Lease Agreement”	the agreement dated 17 September 2007 entered into between the Company and Geely Holding pursuant to which the Group agreed to lease some properties located in Zhejiang Province, the PRC, to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College (formerly known as Zhejiang Economic Management College), details of which are contained in the Company’s announcement dated 17 September 2007 and the Company’s circular dated 31 October 2007
“Existing Loan Guarantee Agreement”	the agreement dated 17 September 2007 entered into between the Company and Geely Holding pursuant to which the Group agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group, details of which are contained in the Company’s announcement dated 17 September 2007 and the Company’s circular dated 31 October 2007
“Existing Services Agreement”	the master agreement dated 17 September 2007 entered into between the Company and Geely Holding for, amongst all, (i) the Group agreed to sell the CKDs and Sedan Tool Kits to the Geely Holding Group and (ii) Geely Holding Group agreed to sell the CBUs, automobile parts and components; and provide process manufacturing services to the Group, details of which are contained in the Company’s announcement dated 17 September 2007 and the Company’s circular dated 31 October 2007

“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“Guarantees”	guarantees to be provided by the Group on loans obtained or to be obtained by the Geely Holding Group pursuant to the Loan Guarantee Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Imported Parts Purchase Agreement”	the agreement dated 27 November 2009 entered into between Shanghai Maple Auto Sales and Shanghai Maple as referred to under the subsection headed “(II) Imported Parts Purchase Agreement” of the section headed “Exempted Continuing Connected Transactions” of this announcement
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors, namely Mr. Song Lin, Mr. Lee Cheuk Yin, Dannis, and Mr. Yeung Sau Hung, Alex, established for the purpose of advising the Independent Shareholders on the Non-exempted Continuing Connected Transactions (including the relevant annual caps)
“Independent Shareholders”	Shareholder(s) other than Mr. Li and his associates
“Lease Agreement”	the agreement dated 27 November 2009 entered into between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College as referred to under the subsection headed “(I) Lease Agreement” of the section headed “Exempted Continuing Connected Transactions” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Guarantee Agreement”	the agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the subsection headed “(II) Loan Guarantee Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this announcement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding 51.44% interest in the issued share capital of the Company as at the date of this announcement
“Non-exempted Continuing Connected Transactions”	collectively, the transactions contemplated under the Services Agreement, the Loan Guarantee Agreement, the Supplemental Services Agreement and the Shanghai LTI Supply and Purchase Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Properties”	collectively, (i) the office premises with a total area of approximately 5,481.73 sq.m. located at Linhai City, Zhejiang Province, the PRC; and (ii) the factory premises with a total area of approximately 15,550 sq.m. located in Linhai City, Zhejiang Province, the PRC; (iii) the buildings and various ancillary structures with a total site area of approximately 53,530 sq.m. located in Luqiao, Taizhou City, Zhejiang Province, the PRC; (iv) the research building with a total area of approximately 5,739 sq.m. located in Luqiao, Taizhou City, Zhejiang Province, the PRC; (v) the factory premises with a total area of approximately 10,500 sq.m. located in Xiangtan City, Hunan Province, the PRC; (vi) the factory premises with a total area of approximately 12,586 sq.m. located in Ningbo City, Zhejiang Province, the PRC; and (vii) the factory premises with a total area of approximately 13,277 sq.m. located in Jinan City, Shandong Province, the PRC
“Properties Acquisition Agreement”	the sales and purchase agreement dated 27 November 2009 entered into between Shanghai Maple Guorun and Shanghai Maple pursuant to which Shanghai Maple Guorun agrees to purchase and Shanghai Maple agrees to sell the Shanghai Properties at a total consideration of RMB9,368,500 (representing approximately HK\$10,646,363)
“RMB”	Renminbi, the lawful currency of the PRC
“Sedan Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the sedan (隨車工具包)

“Services Agreement”	the master agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the subsection headed “(I) Services Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this announcement
“Shanghai LTI”	上海英倫帝華汽車部件有限公司 (Shanghai LTI Automobile Components Company Limited), a limited liability company incorporated in the PRC and indirectly owned as to 51% by the Company
“Shanghai LTI Supply and Purchase Agreement”	the agreement dated 27 November 2009 entered into between Shanghai LTI and Shanghai Maple as referred to under the subsection headed “(III) Shanghai LTI Supply and Purchase Agreement ” of the section headed “Non-exempted Continuing Connected Transactions” of this announcement
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a limited liability company incorporated in the PRC and is owned as to 90.00% by Geely Holding and as to 10.00% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Company Limited), respectively, which is in turn owned by the senior management of Geely Holding. It is principally engaged in the manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts
“Shanghai Maple Auto Sales”	上海華普汽車銷售有限公司 (Shanghai Maple Automobile Sales Company Limited), a limited liability company incorporated in the PRC and is an indirect 91%-owned subsidiary of the Company
“Shanghai Maple Guorun”	上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited), a sino-foreign joint venture established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company
“Shanghai Properties”	collectively, two buildings and various ancillary structures with a total area of approximately 106,685 sq.m. located in Shanghai, the PRC
“Shareholders”	holders of shares of the Company
“SKD Components”	Semi Knock Down Kit(s) or SKD(s) (半散裝套件)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Services Agreement”	the supplemental master agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the subsection headed “Supplemental Services Agreement” of the section headed “Renewal of Annual Caps” of this announcement
“Zhejiang Automotive Vocational and Technical College”	浙江汽車職業技術學院 (Zhejiang Automotive Vocational and Technical College (formerly known as Zhejiang Economic Management College)), a private vocational and technical college established in the PRC, located at Cheng Dong Geely Education Centre, Linhai City, Zhejiang Province, the PRC (中國浙江省臨海市城東吉利教育中心) and beneficially owned as to 100% by Mr. Li and his associates
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ as follows:

$$RMB1 = HK\$1.1364$$

No representation is made that any amount in HK\$ could have been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 27 November 2009

As at the date of this announcement, the executive Directors of the Company are Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Yin Da Qing, Richard, Mr. Liu Jin Liang, Mr. Zhao Jie and Dr. Zhao Fuquan and the non-executive Director is Mr. Xu Gang and the independent non-executive Directors are Mr. Song Lin, Mr. Lee Cheuk Yin, Dannis, and Mr. Yeung Sau Hung, Alex.