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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, 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 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 AND CONNECTED TRANSACTIONS  
RELATING TO FORMATION OF THE JV  
AND  
ENTERING INTO THE MASTER AGREEMENT**

**Financial adviser to Geely Automobile Holdings Limited**



**CIMB-GK Securities (HK) Limited**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



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A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee is set out on page 19 of this circular. A letter from Quam Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 25 of this circular.

A notice convening the EGM of Geely Automobile Holdings Limited to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 December 2006 at 10:00 a.m. is set out on pages 33 to 34 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

1 December 2006

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	6
JV Agreement .....	7
Master Agreement .....	9
Equity Transfer Agreement .....	9
Amended and Restated JV Agreement .....	11
Shareholders' Agreement .....	13
Other Project Documents .....	16
Information on Manganese Bronze .....	16
Reasons for the entering into the JV Agreement .....	17
Requirements of the Listing Rules .....	17
Independent Board Committee/Independent financial adviser .....	17
EGM .....	17
Procedure for demanding a poll by Shareholders .....	18
General .....	18
Additional information .....	18
<b>Letter from the Independent Board Committee</b> .....	19
<b>Letter from Quam Capital</b> .....	20
<b>Appendix – General Information</b> .....	26
<b>Notice of EGM</b> .....	33

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Amended and Restated JV Agreement”	the joint venture agreement to be entered into between the Company, Manganese Bronze and Shanghai Maple which sets out the principal terms for the establishment of the Shanghai LTI JV
“Announcement”	an announcement of the Company dated 13 November 2006 in relation to the formation of the JV and the entering into the Master Agreement
“Board”	the board of Directors of the Company
“Business Day”	a day, other than a Saturday, Sunday or public holiday, on which banks in Hong Kong, the PRC (excluding Hong Kong) and the United Kingdom are open for general business
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“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
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the JV Agreement
“Equity Transfer Agreement”	the equity transfer agreement to be entered into between the Company and Manganese Bronze which sets out the principal terms of the Transfer
“Geely Group”	Geely Group Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Li
“Geely Holding”	浙江吉利控股集團有限公司 (Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 72.7% by Mr. Li and as to 27.3% by Mr. Li Xu Bing, brother of Mr. Li, respectively
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the terms of the JV Agreement
“Independent Shareholders”	Shareholders other than Mr. Li and his associates
“JV”	Shanghai Geely Maple Automobile Limited (上海帝華汽車有限公司) a sino-foreign joint venture to be established in the PRC with limited liability which will be owned as to 99.0% by the Company and as to 1.0% by Shanghai Maple, respectively
“JV Agreement”	the joint venture agreement dated 9 November 2006 entered into between the Company and Shanghai Maple which sets out the principal terms for the establishment of the JV
“Latest Practicable Date”	29 November 2006, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
“LTI”	LTI Ltd., a wholly-owned subsidiary of Manganese Bronze
“LTI TX Series Products”	the London taxi vehicle, known as TX series products
“Manganese Bronze”	Manganese Bronze Holdings Plc, a public limited liability company incorporated under the Laws of England and Wales whose shares are listed on the London Stock Exchange
“Manganese Bronze Group”	Manganese Bronze and its subsidiaries
“MB Consideration Shares”	5.7 million new Manganese Bronze’s ordinary shares to be issued to the Company as consideration under the Equity Transfer Agreement
“MB Shares”	share(s) of nominal values of GBP0.25 each in the share capital of Manganese Bronze

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## DEFINITIONS

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“Master Agreement”	the master agreement dated 9 November 2006 entered into between the Company and Manganese Bronze
“Mr. Li”	Mr. Li Shu Fu, a Director holding 60.22% beneficial interest in the issued share capital of the Company
“Other Project Documents”	a series of agreements to be entered into between the Shanghai LTI JV and others with LTI and Shanghai Maple which relates to sale and purchase of components and products, licensing of trademarks and technologies, leasing of properties and contract manufacturing equipment for the operation of the Shanghai LTI JV
“PRC”	The People’s Republic of China
“Products”	automobile parts, components and sub-assemblies for use in purpose build executive limousines and three saloon car models
“Proper Glory”	Proper Glory Holding Inc., a company incorporated in the British Virgin Islands and is wholly-owned by the Geely Group
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the JV Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shanghai LTI JV”	上海英倫帝華汽車國際有限公司 (Shanghai LTI Automobile Company Limited), formerly the JV, which will be owned as to 51.0% by the Company, as to 48.0% by Manganese Bronze and as to 1.0% by Shanghai Maple respectively upon completion of the Equity Transfer Agreement and the Amended and Restated JV Agreement
“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), which is in turn owned by the senior management of Geely Holding. It is principally engaged in manufacturing and sales of automobile and related components, and manufacturing of air conditioning related parts

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## DEFINITIONS

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“Shanghai Maple JV”	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 owned as to 53.19% by Shanghai Maple and as to 46.81% by Value Century Group Limited, a wholly-owned subsidiary of the Company, respectively
“Share(s)”	share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Manganese Bronze and the Company which sets out the principal terms to give effect to the provisions of the Amended and Restated JV Agreement and also give effect to the other provisions in relation to the transfer of 48.0% equity interest of the JV from the Company to Manganese Bronze
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer by the Company of a 48.0% interest in the registered capital of the JV to Manganese Bronze pursuant to the Equity Transfer Agreement
“United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“United States”	the United States of America
“Zhejiang Geely Merrie”	浙江吉利美日汽車有限公司 (Zhejiang Geely Merrie 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), which is in turn owned by the senior management of Geely Holding. It is principally engaged in the manufacturing and managing of automobile, automobile power generators and related components. It is also engaged in exporting of products it produces and importing machineries, accessories and raw materials required in its business.
“Zhejiang JV”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited), a sino-foreign joint venture company incorporated in the PRC, and owned as to 53.19% by Zhejiang Geely Merrie and 46.81% by Centurion Industries Limited, a wholly-owned subsidiary of the Company, respectively.

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## DEFINITIONS

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“GBP”	British pound sterling, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

*Unless otherwise specified in this circular, amounts denominated in US\$ and GBP have been converted, for the purpose of illustration only, into HK\$ as follows:*

*US\$1 = HK\$7.7869*

*GBP1 = HK\$14.650*

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

*Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Li Shu Fu  
Mr. Gui Sheng Yue  
Mr. Xu Gang  
Mr. Yang Jian  
Mr. Ang Siu Lun, Lawrence  
Mr. Liu Jin Liang  
Mr. Yin Da Qing, Richard  
Mr. Zhao Jie  
Dr. Zhao Fuquan

*Independent non-executive Directors:*

Mr. Lee Cheuk Yin, Dannis  
Mr. Song Lin  
Mr. Yeung Sau Hung, Alex

*Registered office:*

P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business*

*in Hong Kong:*  
Room 2301, 23rd Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

1 December 2006

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO FORMATION OF THE JV AND ENTERING INTO OF THE MASTER AGREEMENT**

#### **INTRODUCTION**

On 9 November 2006, the Company entered into (i) the JV Agreement with Shanghai Maple to jointly establish the JV in Shanghai to engage in the manufacture, sales and distribution of automobile parts, components and sub-assemblies, and (ii) the Master Agreement with Manganese Bronze in which the Company and Manganese Bronze agreed to enter, and will cause its affiliates which are parties to the relevant documents to enter, into the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents within 10 Business Days after, among other things, the establishment of the JV.

Further announcement will be made in accordance with the Listing Rules when the Company enters into the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents.



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## LETTER FROM THE BOARD

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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 by Mr. Li and his associates. Under the Listing Rules, the entering into of the JV Agreement will constitute a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to the requirements of reporting, announcement, and the approval by the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules. Proper Glory and Geely Group, both wholly-owned by Mr. Li, and holding 60.22% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolution to approve the JV Agreement to be put forward at the EGM.

The purpose of this circular is to provide you with further information on, among other things, details of the JV Agreement and the Master Agreement, the letter from the Independent Board Committee, the letter from Quam Capital to advise the Independent Board Committee and the Independent Shareholders on the terms of the JV Agreement, and the notice to convene the EGM.

### (1) JV AGREEMENT

- Date:** 9 November 2006
- Parties:** (1) The Company  
(2) Shanghai Maple
- Subject matter:** Establishment of a sino-foreign equity joint venture to be owned as to 99.0% by the Company and as to 1.0% by Shanghai Maple.
- Scope of business:** To engage in the manufacture, sales and distribution of automobile parts, components and sub-assemblies.
- Term:** 50 years from the date of issue of the business licence of the JV. The JV will be established on the date that the JV obtained its business licence from the relevant PRC authorities.
- Capital structure:** Total investment:  
US\$99,500,000.00 (equivalent to approximately HK\$774.80 million), determined with reference to the estimated scale of operation of the JV in future.
- Registered capital:  
US\$54,297,150.00 (equivalent to approximately HK\$422.81 million), which will be contributed by the parties as soon as practicable in accordance with the applicable PRC laws
- (i) The Company will contribute its 99.0% capital contribution to the registered capital of the JV in the amount of US\$53,754,178.50 (equivalent to approximately HK\$418.58 million) in cash to be financed by internal resources of the Group and/or equity financing and/or external borrowing; and

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## LETTER FROM THE BOARD

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- (ii) Shanghai Maple will contribute its 1.0% capital contribution to the registered capital of the JV in the amount of US\$542,971.50 (equivalent to approximately HK\$4.23 million) in cash.

**Profit distribution:** Profits of the JV will be distributed in accordance with the proportion of the registered capital held by the Company and Shanghai Maple, respectively.

**Additional financing:** To finance its further investment, the JV may obtain additional funds through external financing and/or equity contribution on terms and conditions to be approved by its board of directors. Nevertheless, pursuant to the JV Agreement, neither the Company nor Shanghai Maple has any obligation to contribute additional funds to the JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the JV. The Directors confirm that the Company will not contribute additional funding to the JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the JV for the difference between the total investment and the registered capital amounts.

**Board composition:** The board of the JV will comprise 3 members. The Company will have the right to nominate 2 members and Shanghai Maple will have the right to nominate 1 member to the board of the JV. The quorum for board meeting of the JV will be two thirds or more of the then total number of directors.

### Conditions precedent

Completion of the JV Agreement is conditional upon, among other things, the following conditions precedent being satisfied:

- (a) the Independent Shareholders approving the establishment of the JV in the EGM to be convened to approve the transaction; and
- (b) the relevant PRC government authority responsible for the examination and approval of sino-foreign equity joint venture enterprises having issued their approvals for the JV Agreement.

Upon completion of the JV Agreement, the JV will be owned as to 99% by the Company and as to 1% by Shanghai Maple, respectively, and will be accounted for as a subsidiary of the Company.

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## LETTER FROM THE BOARD

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### (2) MASTER AGREEMENT

On 9 November 2006, the Company entered into the Master Agreement with Manganese Bronze, pursuant to which the Company and Manganese Bronze agreed to enter, and will cause its affiliates which are parties to the relevant documents to enter, into the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents within 10 Business Days after, among other things, the establishment of the JV. The conditions precedent to the Master Agreement are set out below:

- (a) the JV has been properly established under the laws of the PRC;
- (b) the entering into of the JV Agreement for the establishment of the JV has been approved by the Independent Shareholders in the EGM in compliance with the Listing Rules; and
- (c) the entering into of the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents and the implementation thereof by Manganese Bronze has been approved by its shareholders in a general meeting held in compliance with relevant rules and regulations of the London Stock Exchange.

If the above conditions are not satisfied on or before 28 February 2007 (or such other date as the parties may agree in writing), the Master Agreement shall cease and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Master Agreement.

Principal terms of the Equity Transfer Agreement, the Amended and Restated JV Agreement and the Shareholders' Agreement are as follows:

#### A) EQUITY TRANSFER AGREEMENT

**Date:** To be entered into simultaneously with the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents within 10 Business Days after the conditions precedent to the Master Agreement have been satisfied.

**Parties:**

- (1) The Company
- (2) Manganese Bronze

Manganese Bronze Group is a third party independent of the Company and the connected persons of the Company prior to the completion of the Equity Transfer Agreement.

**Assets to be transferred:** The Company will transfer a 48.0% interest in the registered capital of the JV to Manganese Bronze.

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## LETTER FROM THE BOARD

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**Consideration:**

To be satisfied by the issue of 5.7 million new MB Shares, representing 23% of Manganese Bronze's enlarged issued ordinary share capital. Such shares have a market value of approximately GBP29.24 million (equivalent to approximately HK\$428.38 million), based on the closing price of the MB Shares on 8 November 2006, the date prior to the suspension of the Shares for the Company pending the release of the Announcement.

The consideration was determined based on arm's length negotiations between the Company and Manganese Bronze with reference to the share price of Manganese Bronze at the time of negotiation of the Equity Transfer Agreement and the shareholding structure of Manganese Bronze upon completion of the Transfer.

**Conditions precedent**

The submission of the Equity Transfer Agreement to the PRC approval authority for approval of the Transfer is conditional upon, among other things, the following conditions precedent, as set out in the Equity Transfer Agreement, being satisfied within 90 days (or such later date as may be agreed by the parties) of the date of the Equity Transfer Agreement:

- (a) The Company and Shanghai Maple have each made capital contributions in cash and in full to its subscription to the registered capital of the JV and such capital contributions by the Company and Shanghai Maple have been verified by an independent accountant registered in the PRC;
- (b) the shareholders of Manganese Bronze approving the relevant transactions relating to the Transfer;
- (c) The Company, Manganese Bronze and Shanghai Maple have executed the Amended and Restated JV Agreement; and
- (d) the Shareholders approving the Equity Transfer Agreement at the EGM.

The parties will apply to the PRC approval authorities for approval of the Transfer, if approval for the Transfer is not obtained within 120 days (or such later date the parties may agree) of the date of the Equity Transfer Agreement, the Equity Transfer Agreement will lapse and all the obligations and liabilities of the parties to the Equity Transfer Agreement will cease and terminate.

The Transfer shall be deemed completed on the date the new business license of the Shanghai LTI JV has been issued by the relevant PRC authorities and Manganese Bronze shall issue the MB Consideration Shares to the Company within 10 Business Days thereof.

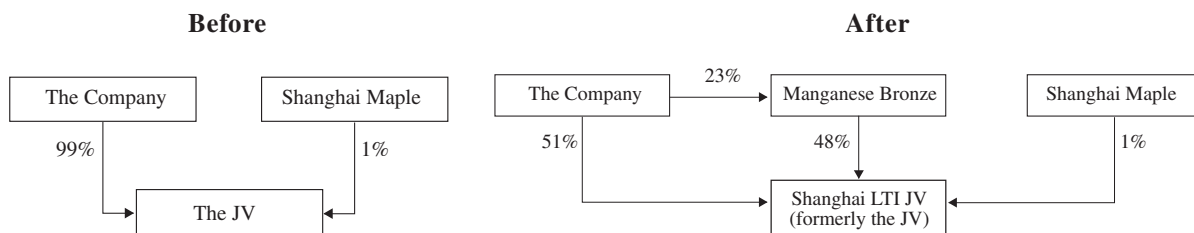
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## LETTER FROM THE BOARD

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The Company will become the single largest shareholder of Manganese Bronze upon completion of the Transfer. As at the Latest Practicable Date, the Company intends to hold its interest in Manganese Bronze upon completion of the Transfer as a long-term investment.

### Shareholding structuring of the JV before and after completion of the Equity Transfer Agreement:



Upon completion of the transfer of the Company's 48% equity interest in the registered capital of the JV to Manganese Bronze, the JV will be held as to 51% by the Company, as to 48% by Manganese Bronze and as to 1% by Shanghai Maple. The JV would continue to be accounted for as a subsidiary of the Company.

### B) AMENDED AND RESTATED JV AGREEMENT

**Date:** To be entered into simultaneously with the Equity Transfer Agreement, the Shareholders' Agreement and the Other Project Documents within 10 Business Days after the conditions precedent to the Master Agreement have been satisfied.

**Parties:**

- (1) The Company
- (2) Shanghai Maple
- (3) Manganese Bronze

**Proposed terms:** Change of name

The aforesaid parties agreed to change the name of the JV to Shanghai LTI Automobile Company Limited (上海英倫帝華汽車國際有限公司).

Scope of business

To engage in the manufacturing, sales, and distribution of automobile parts, components and sub-assemblies; design, research and development in relation to the above and provision of after-sales services.

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## LETTER FROM THE BOARD

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### Scale of production

Estimated annual production of 10,000 units of the Products needed for the final assembly by Shanghai Maple (who under the PRC laws will hold the relevant approved automobile products catalogue) of 10,000 units of TX Series Products and an additional capacity of 30,000 units for three saloon car models within the first three years of operation of Shanghai LTI JV.

This transaction will constitute continuing connected transactions and will be governed by one of the Other Project Documents to be entered into by Shanghai LTI JV in due course. Separate announcement will be made by the Company to seek Independent Shareholders' approval in this regard.

### Term

50 years from the date of issue of the business licence of the Shanghai LTI JV.

### Preemptive rights

No party may sell, assign, pledge or otherwise dispose of all or any part of its equity interest in the registered capital of the Shanghai LTI JV unless each other party has consented in writing to such sale, assignment, pledge or disposition.

### Board composition

The board of the Shanghai LTI JV will comprise 5 members. The Company will have the right to nominate 2 members (including Chairman), Manganese Bronze will have the right to nominate 2 members (including Vice Chairman) and Shanghai Maple will have the right to nominate 1 member to the board of the Shanghai LTI JV. The quorum for board meeting of the Shanghai LTI JV will be two thirds or more of the then total number of directors and must consist of directors nominated by both the Company and Manganese Bronze.

### Non-Compete

Neither party may during the term of the Amended and Restated JV Agreement and three years thereafter, directly or indirectly design, develop, produce, or assemble in the PRC products similar to the LTI TX Series Products for use in Asia, or, market or sell in Asia products similar to the LTI TX Series Products manufactured in the PRC other than as expressly provided in the Amended and Restated JV Agreement.

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## LETTER FROM THE BOARD

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Each party shall not establish, acquire, operate or maintain a manufacturing plant in the PRC for products similar to the Products nor design, develop, produce, assemble, market or sell the Products in the PRC.

Upon full operation of the Shanghai LTI JV, the Shanghai LTI JV is intended to be the only production facility for the LTI TX Series Products outside of the United Kingdom. Manganese Bronze undertakes with the Company and Shanghai Maple that Manganese Bronze will not manufacture or licence or procure others to manufacture the LTI TX Series Products elsewhere in China or in other part of the world unless the Shanghai LTI JV is unable to manufacture the LTI TX Series Products, meeting the specification, the price, or the quality or the delivery terms that Manganese Bronze specifies or would be able to manufacture or obtain elsewhere.

Purchase of the Shanghai LTI JV as a going concern

In the event that either Manganese Bronze, the Company or Shanghai Maple is the subject of proceedings for liquidation or dissolution or ceasing to carry on business or the Shanghai LTI JV is subject to early termination, the non-breaching party may elect to purchase the Shanghai LTI JV as a going concern at fair market value in accordance with the procedures set out in the Amended and Restated JV Agreement.

### **Conditions precedent**

The Amended and Restated JV Agreement will become effective upon the approval by the Shanghai Foreign Investment Commission or its local delegate and their respective successors of this agreement and the amended and restated articles of association of Shanghai LTI JV.

### **C) SHAREHOLDERS' AGREEMENT**

**Date:** To be entered into simultaneously with the Equity Transfer Agreement, the Amended and Restated JV Agreement and the Other Project Documents within 10 Business Days after the conditions precedent to the Master Agreement have been satisfied.

**Parties:**

- (1) Manganese Bronze
- (2) The Company

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## LETTER FROM THE BOARD

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### Proposed terms:

#### Sale Restrictions for the MB Consideration Shares

Following the Transfer, without the prior written consent of the board of directors of Manganese Bronze, neither the Company nor its associates shall sell, transfer or otherwise dispose of

- i) all or any interest in any of the MB Consideration Shares for a period of two years from the date of the Shareholders' Agreement;
- ii) any interest in more than 25% of the MB Consideration Shares between the second and fifth anniversaries of the date of the Shareholders' Agreement;
- iii) any interest in more than a further 25% of the MB Consideration Shares in addition to condition (ii) above in the period between the fifth and tenth anniversaries of the date of the Shareholders' Agreement; and
- iv) any interest in any of the MB Consideration Shares to any company or other person which is determined in good faith by the board of directors of Manganese Bronze to be a competitor of Manganese Bronze.

#### Takeover Restrictions

Following the Transfer, the Company and its associate undertakes with Manganese Bronze:

- i) not, directly or indirectly, to make, assist or cooperate with others in making an offer for all or part of the issued ordinary share capital of Manganese Bronze unless the Company has given a notification to the board of Manganese Bronze 4 weeks in advance. However, the Company may increase its shareholding in Manganese Bronze to 29.9% without prior approval of the board of Manganese Bronze but shall notify the board of Manganese Bronze in accordance with listing rules of the London Stock Exchange; and
- ii) not to accept any offer for the MB Consideration Shares which would confer control on a third party, except where such bid or offer is recommended by the board of directors of Manganese Bronze.

As at the Latest Practicable Date, the Company does not have any intention to increase its proposed interest in Manganese Bronze.



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## LETTER FROM THE BOARD

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### Call Option

If during the period of 10 years from the date of the Shareholders' Agreement, the Amended and Restated JV Agreement or the Equity Transfer Agreement terminates as a result of either i) the loss, termination, suspension or non-renewal of any licence required by the Shanghai LTI JV in the PRC or otherwise by operation of any PRC Law or ii) the Amended and Restated JV Agreement has been terminated by reason of any breach thereof by the Company or by reason of any legally binding order granted, made or issued in the PRC, then the Company hereby grants to Manganese Bronze the right in such circumstances by written notice to purchase the MB Consideration Shares from the Company for a total aggregate sum of GBP1, which represents the nominal value to reverse their respective shareholdings in each other to the original position before entering into the Equity Transfer Agreement.

If such call option is exercised by Manganese Bronze, the Company shall be entitled to acquire the entire shareholding of Manganese Bronze in the Shanghai LTI JV for GBP1, which represents the nominal value to reverse their respective shareholdings in each other to the original position before entering into the Equity Transfer Agreement.

The grant of the option by Manganese Bronze and the subsequent acquisition of the entire shareholding of Manganese Bronze in Shanghai LTI JV by the Company would constitute a disposal of interest in Manganese Bronze and an acquisition of interest in Shanghai LTI JV of the Company.

### **Conditions precedent**

The rights and obligations of the parties hereunder are in all respects conditional upon and subject to i) the completion of the Transfer, ii) the appointment of 2 non-executive directors nominated by the Company to the board of Manganese Bronze, provided the Company holds in excess of 20% of Manganese Bronze's issued ordinary shares and iii) the allotment and issue of MB Consideration Shares to the Company pursuant to the Equity Transfer Agreement.

In the event that the conditions precedent have not been fulfilled within 120 days (or such other time period mutually agreed by the Parties) of the date of the Shareholders' Agreement, the Shareholders' Agreement shall automatically terminate.

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## LETTER FROM THE BOARD

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### D) OTHER PROJECT DOCUMENTS

The Shanghai LTI JV will enter into the Other Project Documents to facilitate production of the Products at the time when the Company enters into the Equity Transfer Agreement, the Amended and Restated JV Agreement and the Shareholders' Agreement. The Other Project Documents will be conditional upon the completion of the Transfer. Certain transactions contemplated under the Other Project Documents will constitute continuing connected transactions of the Company and are subject to the approval from the Independent Shareholders.

Further announcement will be made in accordance with the Listing Rules when the Company enters into the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and the Other Project Documents.

### INFORMATION ON MANGANESE BRONZE

Manganese Bronze was incorporated on 10 March 1899 in the United Kingdom and is principally engaged in taxi sales and taxi finance in the United Kingdom. United Kingdom is the core market of the Manganese Bronze Group's taxi sales business which has accounted for an average of 95% of the turnover of the Manganese Bronze Group for the two years ended 31 July 2006. As at 31 July 2006, the Manganese Bronze Group's total assets amounted to approximately GBP61.62 million (equivalent to approximately HK\$902.78 million).

The following table sets out the summary of the audited financial results prepared under the International Financial Reporting Standards ("IFRS") of Manganese Bronze Group for the two financial years ended 31 July 2006:

	<b>For the year ended 31 July 2005</b> <i>GBP'000</i> (audited and restated)	<b>For the year ended 31 July 2006</b> <i>GBP'000</i> (audited)
<b>Profit before taxation</b>	2,503 (equivalent to approximately HK\$36.67 million)	3,756 (equivalent to approximately HK\$55.03 million)
<b>Profit after taxation</b>	2,048 (equivalent to approximately HK\$30.00 million)	2,750 (equivalent to approximately HK\$40.29 million)
<b>Net asset value</b>	19,582 (equivalent to approximately HK\$286.88 million)	21,469 (equivalent to approximately HK\$314.52 million)

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## LETTER FROM THE BOARD

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### REASONS FOR THE ENTERING INTO THE JV AGREEMENT

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles in the PRC. The formation of the JV serves as the first step towards co-operation with Manganese Bronze. The Directors are of the view that the co-operation with Manganese Bronze would enable the Group to tap into Manganese Bronze's car manufacturing technology techniques and to participate in the manufacturing of London taxi. The co-operation would also provide new sources of earnings to the Group from the share of profits from Shanghai LTI JV and Manganese Bronze. Accordingly, the Directors consider that the entering into of the JV Agreement is in the interests of the Company and the Shareholders as a whole.

Pursuant to the terms of the JV Agreement, the capital contribution from the Company will be paid in accordance with the Company's relevant interest in the registered capital of the JV by cash, which will be financed by internal resources of the Group and/or equity financing and/or external borrowing. As at the Latest Practicable Date, the Directors are still deliberating the various financing options available to the Group. The Directors have confirmed that the primary consideration for the final choice of financing method is that it will not have any material adverse impact on the financial position of the Group. If the Company's contribution is to be financed by the Group's internal resources and/or debt financing including external borrowing, the Group's net asset value will remain unchanged. If the Company's contribution is to be financed entirely or partly by equity financing including issue of new Shares by the Company, the Group's net asset value will be enhanced. The Directors are of the view that there will not be any material adverse impact on the Group's working capital position, given the various financing options available to the Group.

### REQUIREMENTS OF THE LISTING RULES

Shanghai Maple is a connected person of the Company for the purpose of the Listing Rule by virtue of the fact that Shanghai Maple is beneficially owned by Mr. Li and his associates. As a result, the entering into of the JV Agreement constitutes discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively and is subject to the requirements of reporting, announcement, and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE/INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the terms of the JV Agreement. Quam Capital, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### EGM

The Company will convene the EGM at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 December 2006, at 10:00 a.m. at which an ordinary resolution will be proposed for the purpose of considering and, if thought fit, approving the JV Agreement in relation to the establishment of the JV. Proper Glory and Geely Group, both wholly-owned by Mr. Li, and holding 60.22% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolution to approve the JV Agreement to be put forward at the EGM. The voting on the resolution in respect of the JV Agreement will be conducted by way of poll in accordance with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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A form of proxy for use by the Independent Shareholders at the EGM and at any adjournment thereof is enclosed. Whether or not you propose to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrars in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM, or any adjourned meeting, should you so wish.

### **PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS**

Pursuant to Article 80, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the Chairman or by:

- (a) at least 5 Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
- (b) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

### **GENERAL**

You are advised to read carefully the letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders set out on page 19 of this circular in respect of the JV Agreement and all transactions in connection therewith. Your attention is also drawn to the letter of advice from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 25 of this circular.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular.

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



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)

1 December 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO FORMATION OF THE JV  
AND  
ENTERING INTO OF THE MASTER AGREEMENT**

We refer to the circular of the Company dated 1 December 2006 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used herein have the same meanings as defined in the Circular unless otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the JV Agreement, details of which are set out in the letter from the Board in the Circular.

Having taken into account of the advice of Quam Capital, the independent financial adviser, we consider that the entering into of the JV Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the JV Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the JV Agreement.

Yours faithfully,  
**Mr. Lee Cheuk Yin, Dannis**  
**Mr. Song Lin**  
**Mr. Yeung Sau Hung, Alex**  
*Independent Board Committee*

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## LETTER FROM QUAM CAPITAL

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*The following is the full text of the letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the JV Agreement.*



**Quam Capital Limited 華富嘉洛企業融資有限公司**

A Member of The Quam Group

1 December 2006

To the Independent Board Committee and the Independent Shareholders  
Geely Automobile Holdings Limited  
Room 2301, 23rd Floor  
Great Eagle Centre  
23 Harbour Road  
Wan Chai, Hong Kong

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO FORMATION OF THE JV**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the formation of the JV. Details of the terms of the JV Agreement are set out in the "Letter from the Board" contained in the circular issued by the Company to the Shareholders dated 1 December 2006 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the formation of the JV are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favour of the formation of the JV. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the formation of the JV.

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## LETTER FROM QUAM CAPITAL

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In formulating our recommendation, we have relied on the information, facts supplied by the Company and its advisers, and the opinions expressed by and the representations of the Directors and management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true at the date thereof. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. Background to and reasons for the formation of the JV**

##### *Principal activities of the JV*

As stipulated in the JV Agreement, the business scope of the JV, a sino-foreign joint venture, is to engage in the manufacture, sales and distribution of automobile parts, components and sub-assemblies.

The Group's principal activities, as stated in its annual report for the financial year ended 31 December 2005, are production and trading of automobile parts and related automobile in the PRC.

In view of the above, we are of the view that the formation of the JV is within the usual and ordinary course of the business of the Group and in line with its core business.

##### *Reasons and background for the formation of the JV*

As disclosed in its interim financial report for the six months ended 30 June 2006 (the **"2006 Interim Report"**), it is a stated policy and objective of the Company to continue to upgrade and expand its production facilities to improve quality and reduce costs, to invest in product and technology innovation and to establish strategic alliances with major suppliers, with an aim to develop the Group into an internationally competitive sedan manufacturer.

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## LETTER FROM QUAM CAPITAL

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It should be noted that the Company, on the same date as that of the JV Agreement, also entered into the Master Agreement with Manganese Bronze. Under the Master Agreement, the Company and Manganese Bronze agreed to enter, and will cause its affiliates which are parties to the relevant documents to enter, into the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and Other Project Documents within 10 Business Days after, among other things, the establishment of the JV. After the incorporation of the JV and pursuant to the Equity Transfer Agreement, the Company would agree, to transfer a 48% equity interests in the JV to Manganese Bronze in exchange of new ordinary shares to be issued by Manganese Bronze representing 23% of its then enlarged share capital. For details of the Master Agreement, the Equity Transfer Agreement, the Amended and Restated JV Agreement, the Shareholders' Agreement and Other Project Documents, please refer to the section headed "Letter from the Board" in the Circular.

Manganese Bronze, a company incorporated under the Laws of England and Wales, is principally engaged in taxi sales and taxi finance in the United Kingdom, of which its shares are listed on the main board of the London Stock Exchange. For the financial year ended 31 July 2006, Manganese Bronze Group has recorded an audited profit after taxation of around GBP2.75 million (equivalent to around HK\$40.29 million) under the International Financial Reporting Standards ("IFRS").

We concur with the Directors' view that the co-operation with Manganese Bronze, through its participation in the JV can enable the Group to tap into Manganese Bronze's car manufacturing technology and to participate in the production of London taxi; and provide the Group with a new source of income to be generated by the JV and Manganese Bronze. This conforms with the long term business strategy of the Group as mentioned above.

As the formation of the JV serves as the first step towards the aforementioned business cooperation with Manganese Bronze, and is in line with the stated business objective and strategy of the Group, we are of the view that the formation of the JV is in the interests of both the Company and the Shareholders as a whole in this respect.

## 2. Principal terms of the JV Agreement

Set out below is the summary of the major terms of the JV Agreement.

### *Capital contribution*

The JV will be incorporated in the PRC as a sino-foreign joint venture with limited liability and will be owned as to 99% by the Company and as to 1% by Shanghai Maple respectively. As stipulated in the JV Agreement, the total investment amount and the registered capital of the JV will be in the amount of US\$99,500,000 (equivalent to around HK\$774.80 million) and US\$54,297,150 (equivalent to around HK\$422.81million) respectively.

Under the JV Agreement, the Company is to contribute US\$53,754,178.50 (equivalent to around HK\$418.58 million) in cash to the registered capital of the JV (the "**Capital Contribution**"), representing 99% of the total registered capital amount; while the balance of which will be contributed by Shanghai Maple in cash.



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## LETTER FROM QUAM CAPITAL

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As the capital contribution by each of the Company and Shanghai Maple to the JV will be in proportion to their respective equity interest in the JV, we are of the opinion that the terms of the JV Agreement are fair and reasonable; on normal commercial terms and in the interests of both the Company and the Shareholders as a whole in this respect.

### *Profit sharing*

Under the JV Agreement, the profit and loss from the operations of the JV will be shared between the JV partners in accordance with their proportionate interest in the registered capital of the JV. As such, we consider the terms of the JV Agreement are on normal commercial terms, fair and reasonable and in the interests of both the Company and the Shareholders as a whole in this regard.

### *Management of the JV*

The board of directors of the JV will comprise 3 members, of which two will be nominated by the Company and one will be nominated by Shanghai Maple. Under the JV Agreement, the quorum of board meeting will be two thirds or more of the total number of the JV's directors.

It is also noted that any changes to the provisions of the Articles and Association of the JV, and the amount of its registered capital will be subject to the unanimous approval of all the directors of the JV.

Based on the above, we consider the terms of the JV Agreement are fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

### **3. Funding commitment of the Company under the JV Agreement**

It is stated that the Capital Contribution will be financed by the Group's internal resources and/or equity financing and/or external borrowing.

Pursuant to the JV Agreement, determined with reference to the estimated scale of operation of the JV in future, the JV may obtain additional funds through external financing and/or equity contribution to finance its further investment. Nevertheless, it should be noted that neither the Company nor Shanghai Maple has any obligation to contribute additional funds to the JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the JV. Furthermore, it should also be noted the Directors confirmed that the Company will not contribute additional funding to the JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the JV for the difference between the total investment and the registered capital amounts.

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## LETTER FROM QUAM CAPITAL

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#### 4. Possible financial impacts of entering into the JV Agreement on the Group

As discussed above, the Company will finance its Capital Contribution either by the Group's internal resources and/or equity financing and/or external borrowing. As at the date of this letter, the Directors are still deliberating the various financing options available to the Group.

The various means of financing the Capital Contribution will have different impacts on the Group's financial position, which are analysed below. For illustration purposes, the analysis is based on the assumption that the payment would be funded by any one single method only. Nevertheless, it should be noted that the Directors have confirmed that the primary consideration for the final choice of financing method is that it will not have any material adverse impact on the financial position of the Group.

##### *Net asset value*

##### **Impact of the various financing means on the Group's net asset position**

<b>Financing Method</b>	<b>Effect on the Group's asset/liability</b>	<b>Interest in the JV</b>	<b>Effect on the Group's net asset value</b>
Internal resources	Decrease in asset	Increase in asset	No change
Equity financing	Increase in asset	Increase in asset	Increase
Debt financing	Increase in liability	Increase in asset	No change

If the Capital Contribution is to be funded by the Group's internal resources and/or debt financing including external borrowing, the Group's net asset value will remain unchanged.

If the Capital Contribution is to be funded entirely or partly by equity financing including issue of new Shares by the Company, the Group's net asset value will be enhanced. It should be noted though the net asset value per Share after the equity issue will depend on the issue price of the new Shares.

Based on the above, there will not be any adverse impact on the Group's net asset value as a result of the Company's entering into the JV Agreement and the payment of the Capital Contribution regardless of the financing method to be adopted by the Company.

##### *Gearing ratio*

Based on the 2006 Interim Report, the gearing ratio (defined as the ratio of total borrowings excluded the embedded derivatives of the Company's convertible bonds to total shareholders' equity) of the Group as at 30 June 2006 was about 79.8%.

If the Capital Contribution is to be solely financed by debts, the Group's total debt will increase by the same amount whilst its total equity will remain unchanged; and hence, its gearing ratio will increase substantially.

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## LETTER FROM QUAM CAPITAL

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However, it should be noted that the Company has the option to fund the Capital Contribution by debt financing in part only or not at all. Furthermore, as mentioned above, the Directors confirmed that the primary consideration for the final choice of financing means is that it will not have any material adverse impacts on the Group's financial position.

### *Working capital position*

In regard to the payment of the Capital Contribution, the Directors have confirmed to us that it will not have any material adverse impact on the Group's working capital position, given the various financing options available to the Group.

As discussed above, the Company has no obligation to and the Directors have also confirmed that the Company will not finance any additional funding required by the JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the JV for the difference between the total investment and the registered capital amounts, under the JV Agreement.

As such, the future operation of the JV is not expected to have any material adverse impact on the Group's working capital position.

## RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):-

- the formation of the JV Agreement is the first step in the business cooperation with Manganese Bronze, which is in line with the stated long-term business objective and strategy of the Group;
- the terms of the JV Agreement and in particular, those related to the capital contribution and profit sharing, which are in proportion to the respective equity interests of the Company and Shanghai Maple; and
- the possible impacts on the Group's financial position as discussed in section 4 above,

we are of the view that the formation of the JV is conducted in the ordinary and usual course of business of the Group and based on normal commercial terms, and it is fair and reasonable and in the interests of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the formation of the JV.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Karen C. Wong**  
*Director*

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in 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 in the securities of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

(1) *Interests and short positions in the securities of the Company*

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
<b>Shares</b>				
Mr. Li Shu Fu ( <i>Note 1</i> )	Corporate	2,500,087,000	–	60.22%
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	–	0.05%
<b>Share options</b>				
Mr. Ang Siu Lun, Lawrence	Personal	35,000,000 ( <i>Note 2</i> )	–	0.84%
Mr. Ang Siu Lun, Lawrence	Personal	10,000,000 ( <i>Note 3</i> )	–	0.24%
Mr. Gui Sheng Yue	Personal	23,000,000 ( <i>Note 3</i> )	–	0.55%
Mr. Xu Gang	Personal	23,000,000 ( <i>Note 3</i> )	–	0.55%
Mr. Yang Jian	Personal	23,000,000 ( <i>Note 3</i> )	–	0.55%
Mr. Liu Jin Liang	Personal	18,000,000 ( <i>Note 3</i> )	–	0.43%
Mr. Zhao Jie	Personal	18,000,000 ( <i>Note 3</i> )	–	0.43%
Mr. Yin Da Qing, Richard	Personal	16,000,000 ( <i>Note 3</i> )	–	0.39%
Mr. Song Lin	Personal	1,000,000 ( <i>Note 4</i> )	–	0.02%
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 ( <i>Note 4</i> )	–	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 ( <i>Note 4</i> )	–	0.02%
Dr. Zhao Fuquan	Personal	12,000,000 ( <i>Note 5</i> )	–	0.29%

*Notes:*

- (1) Proper Glory is a private company incorporated in the British Virgin Islands and is wholly-owned by Geely Group. Geely Group is a private company incorporated in the British Virgin Islands and is wholly-owned by Mr. Li.
- (2) This interest relates to share options granted on 23 February 2004 by the Company to Mr. Ang Siu Lun, Lawrence. The share options are exercisable at a subscription price of HK\$0.95 for each share during the period from 23 February 2004 to 22 February 2009. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.
- (3) This interest relates to share options granted on 5 August 2005 by the Company to the executive Directors. The share options are exercisable at a subscription price of HK\$0.70 for each share during the period from 5 August 2005 to 4 August 2010. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.
- (4) This interest relates to share options granted on 23 May 2006 by the Company to the independent non-executive Directors. The share options are exercisable at a subscription price of HK\$0.93 for each share during the period from 10 July 2006 to 16 May 2011. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.
- (5) This interest relates to share options granted on 28 November 2006 by the Company to Dr. Zhao Fuquan. The share options are exercisable at a subscription price of HK\$0.89 for each share during the period from 28 November 2006 to 27 November 2011. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interest on the short position in any shares or underlying shares of the Company as at the Latest Practicable Date.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Li Shu Fu	Geely Group	50,000	–	100%
Mr. Li Shu Fu	Zhejiang JV	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Shanghai Maple JV	(Note 2)	–	(Note 2)

*Notes:*

- (1) Zhejiang JV is incorporated in the PRC and is 53.19%-owned by Zhejiang Geely Merrie. Zhejiang Geely Merrie is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 72.7%-owned by Mr. Li.
- (2) Shanghai Maple JV is incorporated in the PRC and is 53.19%-owned by Shanghai Maple. Shanghai Maple is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 72.7%-owned by Mr. Li.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interest on the short position in any shares or underlying shares of the associated corporations of the Company as at the Latest Practicable Date.

#### **(b) Substantial Shareholders**

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations (other than the Directors) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's/corporate's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name of Shareholder	Capacity	Number of shares held		Shareholding percentage (%)
		Long Position	Short Position	
Proper Glory ( <i>Note</i> )	Beneficial owner	2,500,000,000	–	60.22%
Geely Group ( <i>Note</i> )	Beneficial owner	87,000	–	0.002%
	Corporate	2,500,000,000	–	60.22%
Deutsche Bank Aktiengesellschaft	Corporate	273,776,709	16,619,955	6.19%

*Note:* Proper Glory is a private company incorporated in the British Virgin Islands and is wholly-owned by Geely Group. Geely Group is a private company incorporated in the British Virgin Islands and is wholly-owned by Mr. Li.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

### 3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

### 4. COMPETING INTEREST

Geely Holding, which is ultimately owned by Mr. Li and his associates, has signed agreements or been in negotiations with local governments in the PRC to set up production plants for the manufacture and distribution of sedans in four locations, namely Lanzhou, Xiangtan, Ningbo and Jinan (“Potential Business”). To demonstrate Mr. Li’s continued commitment to the Group, Geely Holding has provided a written undertaking in favor of the Group (the “Undertaking”) that:

- (1) Geely Holding will undertake and warrant and cause its subsidiaries to undertake and warrant to refrain from research and development, production and sales of any products which are in competition with the products produced by the Group and/or its associated companies (“Geely Products”). The Geely Products include (i) new models produced by the Group and/or its associated companies in the future and (ii) improved versions of the existing models currently produced by the Group and/or its associated companies; and
- (2) upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Mr. Li will, and will procure his associates (other than the Group) to sell to the Group (a) all of the Potential Businesses and related assets, and (b) new projects that might constitute competing businesses to those currently engaged by the Group or the Company’s two associates undertaken by Geely Holding 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their associates had any interests which competed or was likely to compete, either directly or indirectly, with the Company’s business.

### 5. LITIGATION

None of the members of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

### 6. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any known material change in the financial or trading prospect of the Group since 31 December 2005, the date to which the latest audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.



## 7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

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 2005, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

## 8. QUALIFICATION AND CONSENT

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

Quam Capital has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Quam Capital was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, Quam Capital did not have any direct or indirect interest in any asset which had been, since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. 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 and qualified accountant of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road Wanchai, Hong Kong during normal business hours between the period from 1 December 2006 to 20 December 2006 (both days inclusive):

- (a) the JV Agreement;
- (b) the Master Agreement;
- (c) the letter of recommendation from the Independent Board Committee of the Company to the Independent Shareholders as set out in this circular;
- (d) the letter from Quam Capital, the text of which is set out in this circular; and
- (e) the consent letter of Quam Capital referred to in the section headed “Qualification and consent” in this appendix.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of Geely Automobile Holdings Limited (the “**Company**”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, on Wednesday, 20 December 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution of the Company:

### ORDINARY RESOLUTION

**“THAT:**

- (a) the joint venture agreement (the “**JV Agreement**”) dated 9 November 2006 entered into between the Company and Shanghai Maple Automobile Company Limited (“**Shanghai Maple**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purposes, pursuant to which the Company and Shanghai Maple have agreed to establish a Sino-foreign equity joint venture with a total investment of US\$99,500,000.00 and registered capital of US\$54,297,150.00 and to be owned as to 99% by the Company and as to 1% by Shanghai Maple, respectively, together with the transactions contemplated under the JV Agreement be and is hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised 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/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the transactions contemplated under the JV Agreement.”

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

Hong Kong, 1 December 2006

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## NOTICE OF EGM

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*Head office and principal place of business in Hong Kong:*

Room 2301, 23rd Floor

Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

*Notes:*

1. A form of proxy for use at the meeting is enclosed with the circular of the Company dated 1 December 2006.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his/her proxy to attend and vote, in the event of a poll, instead of him/her. A proxy need not be a member of the Company but must attend the meeting in person to represent him/her.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share(s), any one of such joint holders may vote at the meeting, either in person or by proxy (in the case of a poll), in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy (in the case of a poll). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.