
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



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) CONTINUING CONNECTED TRANSACTIONS AND
DISCLOSEABLE TRANSACTION; AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



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



A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 45 of this circular.

A notice convening the EGM to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 December 2015 at 10:00 a.m. is set out on pages 57 to 59 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

14 December 2015

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM QUAM CAPITAL	25
APPENDIX – GENERAL INFORMATION	46
NOTICE OF THE EGM	57

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBU(s)”	Complete Buildup Unit(s) (整車), a complete vehicle after the final assembly
“CBU(s) (Electric Vehicle(s))”	Complete Buildup Unit(s) for electric vehicle(s) (電動整車), a complete electric vehicle after the final assembly
“CKD(s)”	Complete Knock Down Kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“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 annual caps)
“Electric Vehicle Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(II) Electric Vehicle Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“Existing Loan Guarantee Agreement”	the master agreement dated 16 November 2012 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 16 November 2012 and the Company’s circular dated 6 December 2012

DEFINITIONS

“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 dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising only the independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang, 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
“IT”	information technology
“Latest Practicable Date”	10 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Guarantee Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(III) Loan Guarantee Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date

* For identification purpose only

DEFINITIONS

“Non-exempted Agreements”	collectively, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement
“Non-exempted Continuing Connected Transactions”	the Non-exempted Agreements and the transactions contemplated thereunder
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Quam Capital” or “Independent Financial Adviser”	Quam Capital Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance in Hong Kong and the independent financial adviser appointed to advise on the Non-exempted Continuing Connected Transactions (including the relevant annual caps)
“RMB”	Renminbi, the lawful currency of the PRC
“Russian Rouble”	Russian Rouble, the lawful currency of Russia
“Sedan Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the sedan
“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 circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholders”	holders of ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sport utility vehicle
“%”	per cent

LETTER FROM THE BOARD

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Gui Sheng Yue (*CEO*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Mr. Liu Jin Liang
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. An Qing Heng
Mr. Wang Yang

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Principal Place of Business
in Hong Kong:*

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

14 December 2015

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2015 in relation to, among others, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement (together, the “**Non-exempted Continuing Connected Transactions**”).

The purposes of this circular are (i) to provide the Shareholders with further information on the Non-exempted Continuing Connected Transactions; (ii) to set out the view of the Independent Board Committee in respect of the fairness and reasonableness of the Non-exempted Continuing Connected Transactions (including their respective annual caps); (iii) to set out the letter of advice from Quam Capital, the

LETTER FROM THE BOARD

independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the fairness and reasonableness of the Non-exempted Continuing Connected Transactions (including their respective annual caps); and (iv) to give you notice of the EGM.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 27 November 2009 and the Company's circular dated 14 December 2009 in relation to the Services Agreement, and the Company's announcement dated 16 November 2012 and the Company's circular dated 6 December 2012 in relation to the Existing Loan Guarantee Agreement.

(I) Services Agreement

The Services Agreement was signed on 27 November 2009 and has a term of ten years from 1 January 2010 to 31 December 2020. The then Rule 14A.35(1) of the Listing Rules (now Rule 14A.52) provides that, in relation to continuing connected transactions not falling under Rule 14A.33 of the Listing Rules, where under special circumstances 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. Quam Capital opined in the Company's circular dated 14 December 2009 that it is normal business practice for agreements like the Services Agreement to have a term longer than three years. The Services Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009.

The information below sets out, among others, the annual caps for the Services Agreement from 1 January 2016 to 31 December 2018:

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 associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date.

Terms: From 1 January 2010 to 31 December 2020

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

LETTER FROM THE BOARD

(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 agreed 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 ability in providing the requested services to be based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and in compliance with the Listing Rules, will be related to services that might occur in the process of manufacturing CKDs and Sedan Tool Kits for new models in the future. Since the commencement of the Services Agreement and up to the Latest Practicable Date, the Geely Holding Group has not requested for such additional services from the Group.

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling price of sedans to end customers, less distribution costs, less costs of the Sedan Tool Kits, less the PRC taxes (which comprise mainly the consumption taxes and water construction fund and stamp duty tax; consumption taxes applicable to the Group's vehicle models fall under different tax charge categories ranging from 3% to 9% depending on the sedan's engine displacement sizes, and water construction fund and stamp duty tax which varies according to different regions in the PRC), and less costs of other necessary and reasonable expenses, which include relevant salary, staff training, utilities expenses and other office expenses.

The Sedan Tool Kits to be supplied by the Group to the Geely Holding Group will be based on the actual cost of the Sedan Tool Kits to the Group when the Group purchased the Sedan Tool Kits. After the Geely Holding Group performs final assembly on the CKDs and Sedan Tool Kits into the CBUs, the Geely Holding Group will proceed with payment of the PRC

LETTER FROM THE BOARD

consumption tax on the CBUs. After payment of the PRC consumption tax, the CBUs (which consist of the CKDs and the Sedan Tool Kits) will be sold back to the Group for distribution to the end customers.

Payment term: All transactions contemplated in the Services Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product/service.

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, 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 2016, 2017 and 2018:

	Historical transaction amount for the year ended 31 December 2014 (Audited) <i>RMB'000</i>	Historical transaction amount for the nine months ended 30 September 2015 (Unaudited) <i>RMB'000</i>	Proposed annual caps for the year ending 31 December		
			2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Sale of CKDs	18,849,680	17,272,223	43,976,763	62,811,135	83,706,837
Approved annual cap amounts for the two financial years ending 31 December 2015	50,709,816	67,807,905	N/A	N/A	N/A
Sales of Sedan Tool Kits	8,873	1,801	34,821	48,991	61,480
Approved annual cap amounts for the two financial years ending 31 December 2015	<u>16,194</u>	<u>20,063</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total:	<u>18,858,553</u>	<u>17,274,024</u>	<u>44,011,584</u>	<u>62,860,126</u>	<u>83,768,317</u>

Basis of determination of the proposed annual caps

The proposed annual caps above for the purchases of CKDs by the Geely Holding Group from the Group have been determined by the Directors by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018 as a result of anticipated growth in sales of the existing models and the number of new models to be introduced to the market; and (ii) the projected average selling price per sedan to end customers, which are expected to increase for the three years ending 31 December 2016, 2017 and 2018.

LETTER FROM THE BOARD

The proposed annual caps above for the purchases of Sedan Tool Kits by the Geely Holding Group from the Group have been determined by the Directors by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018; and (ii) the estimated unit cost of Sedan Tool Kits to the Group, which are expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because (i) the Group had restructured its sales and marketing functions in the PRC in 2014, which involved the screening out of inefficient dealers in order to focus on high performance dealers, and such restructuring led to the Group's reduction in total dealers from approximately 940 dealers as at 31 December 2013 to approximately 750 dealers as at 31 December 2014, which ultimately negatively affected the Group's domestic vehicle sales performance due to the material drop in sales volume of automobiles in the PRC; and (ii) the Group's export sales was also challenged, primarily due to the political instability in some of its major export markets such as Ukraine and countries in the Middle East, and the weakening of certain currencies such as the Russian Rouble against RMB in 2014 and so far in 2015.

(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 agreed to sell to the Group CBUs (including CBUs (Electric Vehicles)), 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 and types, will 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 will be based on the original purchase cost plus the relevant procurement cost(s) including staff costs and office expenses of the procurement subsidiary under the Geely Holding Group, 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 will 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 (which comprise mainly the factory leasing costs and direct labour and overhead costs). The Company has the right to choose an independent third party to provide these services if such party can provide comparable services on pricing terms more favourable than those offered by

LETTER FROM THE BOARD

the Geely Holding Group pursuant to the Services Agreement. Since the commencement of the Services Agreement and up to the Latest Practicable Date, no such process manufacturing services have been provided by independent third parties to the Group.

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Payment term: All transactions contemplated in the Services Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product/service.

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, 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 2016, 2017 and 2018:

	Historical transaction amount for the year ended 31 December 2014 (Audited) RMB'000	Historical transaction amount for the nine months ended 30 September 2015 (Unaudited) RMB'000	Proposed annual caps for the year ending 31 December		
			2016 RMB'000	2017 RMB'000	2018 RMB'000
Purchase of CBUs	19,603,368	18,162,108	47,050,290	67,342,835	89,239,305
Approved annual cap amounts for the two financial years ending 31 December 2015	53,988,349	72,628,051	N/A	N/A	N/A
Purchase of automobile parts and components	3,401,891	2,874,804	11,282,384	17,940,062	26,009,872
Approved annual cap amounts for the two financial years ending 31 December 2015	10,242,973	13,557,739	N/A	N/A	N/A
Process manufacturing services fees	44,105	39,425	45,091	34,689	34,689
Approved annual cap amounts for the two financial years ending 31 December 2015	<u>60,100</u>	<u>99,533</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total:	<u>23,049,364</u>	<u>21,076,337</u>	<u>58,377,765</u>	<u>85,317,586</u>	<u>115,283,866</u>

LETTER FROM THE BOARD

It is noted that the historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were within the annual caps of the Services Agreement as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 24 December 2012.

Basis of determination of the proposed annual caps

The proposed annual caps for the purchases of CBUs by the Group from the Geely Holding Group have been determined by the Directors by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018 as a result of anticipated growth in sales of the existing models and the number of new models to be introduced to the market; and (ii) the projected average selling price per sedan to end customers, which are expected to increase for the three years ending 31 December 2016, 2017 and 2018.

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 by reference to the estimated increase in the purchase amounts of automobile parts and components sourced from the Geely Holding Group as a result of the estimated increase in projected number of units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018.

The proposed annual caps for the process manufacturing services fees charged by the Geely Holding Group have been determined by the Directors by reference to (i) the estimated cost of imported molding equipment required for process manufacturing services and the expected annual linear depreciation of such imported molding equipment based on the accounting policy of the Group; and (ii) the estimated cost incurred for the process manufacturing services, including the associated factory lease payments and direct labour and overhead costs incurred by the Geely Holding Group.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because (i) the Group had restructured its sales and marketing functions in the PRC in 2014, which involved the screening out of inefficient dealers in order to focus on high performance dealers, and such restructuring led to the Group's reduction in total dealers from approximately 940 dealers as at 31 December 2013 to approximately 750 dealers as at 31 December 2014, which ultimately negatively affected the Group's domestic vehicle sales performance due to the material drop in sales volume of automobiles in the PRC; and (ii) the Group's export sales was also challenged, primarily due to the political instability in some of its major export markets such as Ukraine and countries in the Middle East, and the weakening of certain currencies such as the Russian Rouble against RMB in 2014 and so far in 2015.

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. As noted in the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**"), China's passenger vehicle market achieved stable growth in 2014. According to the figures released by the China Association of Automobile Manufactures, the total sales volume passenger cars in the PRC increased by approximately 9.9% as compared to a decrease in the total sales volume of passenger cars of the Group of approximately 16.8% in 2014 due to the implementation of a series of major structural reforms in the Group's marketing functions from mid-2013 through 2014. However, the Group's average per unit sales price had improved slightly in 2014 as the result

LETTER FROM THE BOARD

of the improvement in product mix during the year. The Group's model of the flagship mid-size model "EC7" together with its upgraded version remained the Group's popular models in which it accounted for approximately 38.9% of the Group's total sales volume in 2014. Taking into account the year-on-year decrease in total sales volume of the Group in 2014 as compared to 2013 as stated in the 2014 Annual Report and recent structural reforms, the Group's sales volume target for 2015 is relatively conservative with a target of approximately 450,000 units, which represents an increase of approximately 7.7% from 417,851 units for 2014. Accordingly, the Directors estimate the proposed annual cap amounts for the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services as set out in the Services Agreement for the two years ending 31 December 2016 and 2017 to be lower than the respective approved annual caps for the two years ended/ending 31 December 2014 and 2015. In the first ten months of 2015, the Group sold 404,863 units of vehicle, achieving 90% of its full year sales volume target of 450,000 units. The strong sales performance in the domestic market, the enhancement in the Group's overall competitiveness after the aforementioned structural reforms in its marketing functions together with the planned launch of new or upgraded models in the remainder of the year, would enable the Group entering into a rapid growth period in the coming years. In 2016, the Group intends to launch compact sport utility vehicle (Compact SUV) and "Emgrand" full size compact sport utility vehicle (Emgrand SUV) to capture the fast growing SUV market in China, while the "Emgrand" brand vehicles are expected to continue to achieve steady growth, especially the best-selling model, "EC7". As such, the Directors expect there will be an increasing trend in the proposed annual cap amounts for the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services as set out in the Services Agreement for the three years ending 31 December 2016, 2017 and 2018.

The Directors (including the independent non-executive Directors) are of the view that the relevant annual caps of the Services Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(II) Electric Vehicle Agreement

The Company and Geely Holding entered into the Electric Vehicle Agreement on 13 November 2015. The information below sets out the key terms of the Electric Vehicle Agreement:

Date: 13 November 2015

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 associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date.

Term: From 1 January 2016 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever is later) to 31 December 2018.

LETTER FROM THE BOARD

Subject matter: Pursuant to the Electric Vehicle Agreement, the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group.

The above activity will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the Electric Vehicle Agreement, in respect of the sales of CBUs (Electric Vehicles) to the Geely Holding Group from the Group, the selling price of CBUs (Electric Vehicles) will be determined in accordance with the principle of (i) the sales of CBUs (Electric Vehicles) will be conducted on an arm's length basis and on normal commercial terms; and (ii) CBUs (Electric Vehicles) will be sold with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors. The Company has the right to sell CBUs (Electric Vehicles) to an independent third party if such third party can offer a purchase price that is more favourable than the price agreed between the Group and the Geely Holding Group pursuant to the Electric Vehicle Agreement. For the avoidance of doubt, no CBUs (Electric Vehicles) have been sold by the Group to the Geely Holding Group and to independent third parties as the Group's electric vehicle models are expected to be launched in 2016.

The prevailing market price of CBUs (Electric Vehicles) will be determined based on the following:

- (a) the price of the same or similar CBUs (Electric Vehicles) (for example, the price of similar electric vehicle models sold by competing brands in the same or near region) available to other independent third party distributors in the same or near region agreed on normal commercial terms and in the ordinary course of business; or
- (b) if (a) is not applicable, the price of the same or similar CBUs (Electric Vehicles) (for example, the price of similar electric vehicle models sold by competing brands in the PRC) available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

Payment term: All transactions contemplated in the Electric Vehicle Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product.

LETTER FROM THE BOARD

Condition precedent for the Electric Vehicle Agreement

Completion of the Electric Vehicle Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Electric Vehicle Agreement. If the above condition has not been fulfilled on or before 31 December 2015 (or such later date as the parties may agree in writing), the Electric Vehicle Agreement will lapse and all the obligations and liabilities of the parties to the Electric Vehicle Agreement will cease and terminate.

Proposed annual caps

There are no historical figures as the Group has not sold CBUs (Electric Vehicles) to the Geely Holding Group before as the Group's electric vehicle models are expected to be launched in 2016. The table below sets out the proposed annual caps for the sale of CBUs (Electric Vehicles) pursuant to the Electric Vehicle Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

	Proposed annual caps for the year ending		
	31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of CBUs (Electric Vehicles)	1,000,000	2,000,000	4,000,000

Basis of determination of the proposed annual caps

The proposed annual caps for the sale of CBUs (Electric Vehicles) by the Group to the Geely Holding Group have been determined by the Directors by reference to (i) the anticipated growth in the units of electric vehicles to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018; and (ii) the projected selling price per electric vehicle to end customers, which are expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Electric Vehicle Agreement, including its proposed annual caps for the three years ending 31 December 2016, 2017 and 2018, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(III) Loan Guarantee Agreement

The Company and Geely Holding entered into the Loan Guarantee Agreement on 13 November 2015 to renew the Existing Loan Guarantee Agreement, which will expire on 31 December 2015. The information below sets out the key terms of the Loan Guarantee Agreement:

Date:	13 November 2015
Parties:	The Company; and Geely Holding

LETTER FROM THE BOARD

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 associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date.

Term: From 1 January 2016 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever is later) to 31 December 2018.

Subject matter: Pursuant to the Loan Guarantee Agreement, the Group agreed 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.

As stipulated in the Loan Guarantee Agreement, the Geely Holding Group (i) warrants that the loans will only be utilised for sedan manufacturing and research and development activity relating to the Group; (ii) would obtain consent from the Group prior to any drawdown of the loans; and (iii) agrees to provide 100% counter indemnified guarantees on the Guarantees.

As the Group is the ultimate borrower of the loans, directors' or shareholders' resolutions of the Group's members whose their assets being pledged for the loans would be required in order for the Group to provide the Guarantees, as well as consent(s) from the Group to the Geely Holding Group to withdraw the required loans (in accordance with past practice, these consent(s) usually took the form of written consent(s)). This mechanism ensures the loans drawn down by the Geely Holding Group under the Loan Guarantee Agreement will only be utilised for sedan manufacturing and research and development activities relating to the Group.

The Group has the right to borrow money from other independent sources (e.g. issuance of debt, obtain loans from banks/financial institutions) if such independent source can offer borrowing terms that are more favourable than those available to the Geely Holding Group.

LETTER FROM THE BOARD

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. If the above condition has not been fulfilled on or before 31 December 2015 (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 proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, and the proposed annual caps for the aggregate maximum outstanding guarantee amount to be provided by the Group pursuant to the Loan Guarantee Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

	Historical transaction amount for the year ended 31 December 2014 (Audited) RMB'000	Historical transaction amount for the nine months ended 30 September 2015 (Unaudited) RMB'000	Proposed annual caps for the year ending 31 December		
			2016 RMB'000	2017 RMB'000	2018 RMB'000
Aggregate maximum outstanding guarantee amount	340,000	340,000	1,500,000	1,500,000	1,500,000
Approved annual cap amounts for the two financial years ending 31 December 2015	1,200,000	1,500,000	N/A	N/A	N/A

It is noted in the above table that the highest historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were within their annual caps as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 24 December 2012.

Basis of determination of the proposed annual caps

Similar to the reasons for entering into the Existing Loan Guarantee Agreement, the Directors consider that in order to tap into the increasing demand for the Company's sedans, funding resources have to be committed to research and development activities, which include new car model design, development of new engine, 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 relationships with certain PRC banks. Security including the pledge of certain lands, buildings and facilities of the Group are required by these banks.

LETTER FROM THE BOARD

The proposed annual caps for the Guarantees were determined by reference to the loans to be obtained by the Geely Holding Group 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. As advised by the Geely Holding Group, the Geely Holding Group has already discussed with certain PRC banks and they have made preliminary plans with regard to financing needs of the Group and cost of financing for the year ending 31 December 2016. The proposed annual caps for the three years ending 31 December 2016, 2017 and 2018 are identical to the approved annual caps for the year ending 31 December 2015.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because during the aforesaid period, certain PRC banks were not able to offer loans with desirable terms to the Geely Holding Group and hence, low percentages of the approved annual caps under the Existing Loan Guarantee Agreement were utilised. Furthermore, as a result of the People's Bank of China recently lowering benchmark interest rates in the PRC, it is anticipated that the Geely Holding Group will be able to obtain loans with more desirable terms during the three years ending 31 December 2016, 2017 and 2018 as compared to the two years ended/ending 31 December 2014 and 2015.

Given that (i) the Guarantees will be 100% counter indemnified by the Geely Holding Group; (ii) the Geely Holding Group would need to obtain consent(s) from the Group prior to any drawdown of the loans (in accordance with past practice, these consent(s) usually took the form of written consent(s)); and (iii) the Group is the ultimate borrower of the loans for the manufacture and research and development of sedans, the Directors (including the independent non-executive Directors) are of the view that the terms of the Loan Guarantee Agreement, including its proposed annual caps for the three years ending 31 December 2016, 2017 and 2018, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING

The Group has an established internal control system for the purpose of monitoring the execution and implementation of continuing connected transactions, including specific internal control policies regarding control over the terms of (in particular pricing) and proposed annual caps for the Non-exempted Continuing Connected Transactions for the three years ending 31 December 2016, 2017 and 2018. The aforesaid policies, the details of which are elaborated below, have been circulated to the relevant staff in the Group and each relevant member of the Group thereof has been required to have in place a system to give effect to such policies.

LETTER FROM THE BOARD

(I) Services Agreement

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

For the sale of CKDs and Sedan Tool Kits by the Group, the Group will monitor at least annually (or more frequently if it is determined necessary) the expected selling price of sedans and relevant cost items, which include mainly distribution costs, cost of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes), and costs of other necessary and reasonable expenses to ensure that the selling price of CKDs and Sedan Tool Kits are determined correctly. The Group and the Geely Holding Group will negotiate at least annually (or more frequently if it is determined necessary) the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

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

For the purchase of CBUs by the Group, the Group will keep track of the expected selling price of sedans and relevant cost items at least annually (or more frequently if it is determined necessary), which include mainly distribution costs, to ensure the fairness of the purchase price of CBUs. For the purchase of automobile parts and components by the Group, and the provision of process manufacturing services from the Geely Holding Group to the Group, the Group and the Geely Holding Group will negotiate at least annually (or more frequently if it is determined necessary) the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

(II) Electric Vehicle Agreement

The Group will monitor the expected selling price of electric vehicles and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling price of CBUs (Electric Vehicles). The Group maintains a database, which is updated monthly, to store all the aforesaid pricing and cost information. Such database allows the sales department of the Group to keep up-to-date records of the unit prices of products sold by the Group so that its sales team can timely obtain the relevant pricing information to determine the price range for the CBUs (Electric Vehicles) to be sold to Geely Holding Group and its related companies. The Group also has a designated team to keep track of selling prices of similar electric vehicles in the market from competing brands to ensure CBUs (Electric Vehicles) are being sold at prices that are comparable to the market. The finance department of the Group will ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interest of the Company and the Shareholders as a whole. Moreover, the transactions contemplated under the Electric Vehicle Agreement will be supervised and monitored by the Group's general managers in charge to ensure the agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders.

In relation to the aforesaid internal control measures for all agreements, the internal audit department of the Group will conduct assessment at least annually (or more frequently if it is determined necessary) on the internal control measures for all continuing connected transactions of the Group to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also

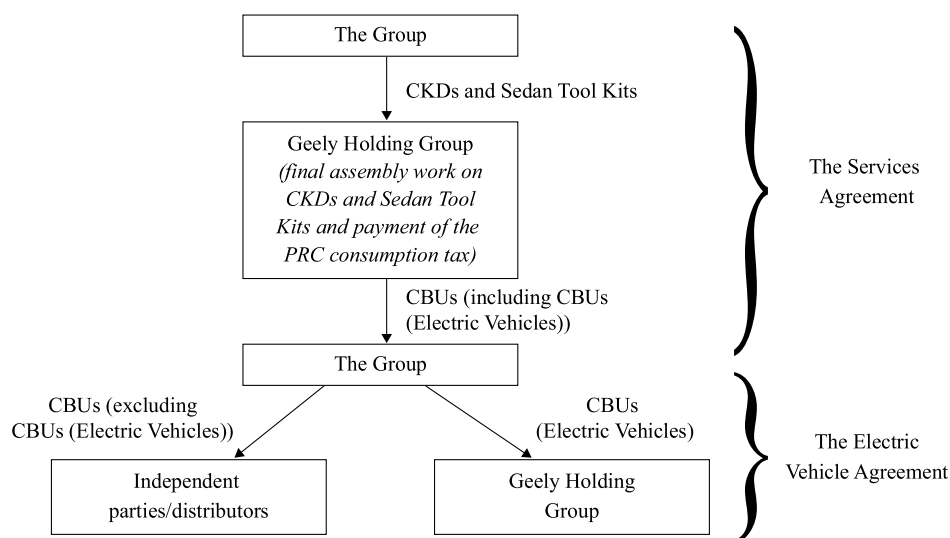
LETTER FROM THE BOARD

conduct review on all continuing connected transactions of the Group every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Company also engages its independent auditors to report on all continuing connected transactions of the Group every year. The independent auditors review and confirm whether all continuing connected transactions of the Group have been approved by the Board; were executed in accordance with the pricing bases of the relevant agreements governing the transactions; and have not exceeded the relevant annual caps.

The Board considers the results from the above reviews and takes action to further strengthen the internal control measures on all continuing connected transactions of the Group if necessary.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following flow chart sets out the simplified flow of various parts and processes under the Services Agreement and the Electric Vehicle Agreement:



(I) 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 CBUs back to the Group's sales companies for distribution to end customers. 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 Directors (including the independent non-executive Directors) consider that the continuing

LETTER FROM THE BOARD

connected transactions contemplated under the Services Agreement will ensure smooth operation of the Group, as the services of the Geely Holding Group would help facilitate payment of the PRC consumption tax.

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

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Services Agreement are beneficially to the Group as the Geely Holding Group has long-term relationships 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 (including the independent non-executive Directors) consider that the above continuing connected transactions contemplated under the Services Agreement are beneficial to the Group.

(II) Electric Vehicle Agreement

With the increasing public awareness of environmental protection and the PRC government policy relating to saving fuel and reducing vehicle emission, major vehicle manufacturers are actively developing and promoting electric vehicles and hybrid vehicles. The Board has long recognised the development potential in the electric vehicles market in the PRC, and hence, the Group starts to commence production of electric version of the “EC7” model in 2015. With the electric version of the “EC7” model being launched to the mass market in 2016 in the PRC, it is anticipated that the Group will be selling these electric vehicles through the Geely Holding Group as only certain subsidiaries of the Geely Holding Group are eligible to obtain the PRC government grants for the sale of electric vehicles. As such, the sale of CBUs (Electric Vehicles) from the Group to the Geely Holding Group under the Electric Vehicle Agreement will facilitate the Group’s sale of electric vehicles in the PRC. The Directors (including the independent non-executive Directors) consider that the above continuing connected transactions contemplated under the Electric Vehicle Agreement are beneficial to the Group as it would ensure a stable demand for the Company’s products.

(III) Loan Guarantee Agreement

In view of the long-term relationships 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 activities relating to the Group’s operations. Given that (i) the Guarantees will be 100% counter indemnified by the Geely Holding Group; (ii) the Geely Holding Group would need to obtain consent(s) from the Group prior to any drawdown of the loans (in accordance with past practice, these consent(s) usually took the form of written consent(s)); and (iii) the Group is the ultimate borrower of the loans for the manufacture and research and development of sedans, the Directors (including the independent non-executive Directors) consider that the Guarantees will continue to enhance the Group’s future development and growth.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that it is an associate of Mr. Li, who is an executive Director and a substantial Shareholders holding approximately 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, each of the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement constitutes continuing connected transactions for the Company pursuant to Rule 14A.31 of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the Non-exempted Continuing Connected Transactions are expected to be higher than 5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the proposed annual caps for the transactions contemplated under the Loan Guarantee Agreement exceed 5% but less than 25% on an annual basis, the transactions contemplated under the Loan Guarantee Agreement also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Mr. Li, Mr. Yang Jian and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Non-exempted Continuing Connected Transactions by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the transactions contemplated under the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement and the adoption of the proposed annual caps.

The EGM will be convened to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps). Pursuant to Rule 14A.36 of the Listing Rules, any connected person of the Company with a material interest in the Non-exempted Continuing Connected Transactions, and any Shareholder with a material interest in the Non-exempted Continuing Connected Transactions and its associates, will not vote. As Mr. Li and his associates together holding 3,774,299,000 shares (representing approximately 42.88% of the issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the issued share capital of the Company) and Mr. An Cong Hui and his associates together holding 15,380,000 Shares (representing approximately 0.17% of the issued share capital of the Company) as at the Last Practicable Date, they will abstain from voting on the resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps). To the best of the Directors' knowledge and belief, Mr. Li Xing Xing, the son of Mr. Li, had no direct equity interests in the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

THE EGM

The EGM will be convened to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps). A notice to convene the EGM is set out on pages 57 to 59 of this circular. The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 December 2015 at 10:00 a.m..

The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrar Limited at A18/F., Asia Orient Tower, 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 subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions (including the relevant annual caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders. Quam Capital has been appointed as the independent financial adviser 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) and the letter of advice from Quam Capital containing its advice in respect of the Non-exempted Connected Transactions has been set out on pages 25 to 45 of this circular.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 23 to 24 of this circular and the letter from Quam Capital on pages 25 to 45 regarding the Non-exempted Continuing Connected Transactions.

The Directors, including the independent non-executive Directors, consider that the terms of Non-exempted Continuing Connected Transactions are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps). You are advised to read the letter from the Independent Board Committee and the letter from Quam Capital mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Quam Capital, which are respectively set out on pages 23 to 24 and pages 25 to 45 of this circular. Additional information is also set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempted Agreements and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions, which has been prepared for the purpose of incorporation in this circular.

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

14 December 2015

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

We refer to the circular dated 14 December 2015 issued by the Company (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to among others, advise the Independent Shareholders on the terms of the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

We wish to draw your attention to the letter of advice from Quam Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions (including the relevant annual caps) as set out on pages 25 to 45 of the Circular, and the letter from the Board set out on pages 4 to 22 of the Circular.

Having taken into account the advice of Quam Capital, in particular factors, reasons and recommendation as set out in its letter, we consider that the Non-exempted Continuing Connected Transactions (including the relevant annual caps) are on normal commercial terms, in the interests of the Company and the Independent Shareholders, and are fair and reasonable so far as the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relations to the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

Yours faithfully,

For and behalf of the Independent Board Committee of

Geely Automobile Holdings Limited

Mr. Lee Cheuk Yin, Dannis

Mr. Yeung Sau Hung, Alex

Mr. Fu Yu Wu

Mr. An Qing Heng

Mr. Wang Yang

Independent Non-executive Directors

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital, 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 Loan Guarantee Agreement and the Electric Vehicle Agreement, and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.



14 December 2015

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Guarantee Agreement and the Electric Vehicle Agreement, and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions for the three years ending 31 December 2018 (the “**Caps**”). Details of the terms of the Loan Guarantee Agreement and the Electric Vehicle Agreement, and the Caps are set out in the “Letter from the Board” contained in the circular (the “**Letter from the Board**”) issued by the Company to the Shareholders dated 14 December 2015 (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.

On 27 November 2009, the Company entered into the Services Agreement with Geely Holding for a term from 1 January 2010 to 31 December 2020. On 13 November 2015, the Company entered into the Loan Guarantee Agreement and the Electric Vehicle Agreement with Geely Holding for a term of three years ending 31 December 2018. 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 associate and Mr. Li is a Director holding approximately 42.88% interest in the issued share capital of the Company as at the Latest Practicable Date. Therefore, the transactions contemplated under the Services Agreement, the Loan Guarantee Agreement and the Electric Vehicle Agreement respectively constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Services Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. The Loan Guarantee Agreement and the Electric Vehicle Agreement are subject to the approval of the Independent Shareholders at the EGM by way of poll.

Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Wu Yu, Mr. An Qing Heng and Mr. Wang Yang, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Loan Guarantee Agreement

LETTER FROM QUAM CAPITAL

and the Electric Vehicle Agreement have been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; and its terms and conditions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) to advise the Independent Shareholders as to whether to vote in favour of the Loan Guarantee Agreement, the Electric Vehicle Agreement and the adoption of the Caps. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, Quam Capital Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Quam Capital Limited. In the last two years, there was no engagement between the Group, the Geely Holding Group and Quam Capital Limited. Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as 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 they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

We consider that we have reviewed the relevant 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 provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries or associates.

LETTER FROM QUAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. THE ANNUAL CAPS OF THE SERVICES AGREEMENT

1. Background to and reasons for the annual caps of the Services Agreement for the three years ending 31 December 2018

Pursuant to the Services Agreement, the Group agreed to supply the CKDs and the Sedan Tool Kits to the Geely Holding Group, and the Geely Holding Group agreed to sell the CBUs, automobile parts and components, and provide process manufacturing services to the Group (the “**Service Transactions**”) for a term from 1 January 2010 to 31 December 2020. The Services Agreement together with the annual caps for the Service Transactions for each of the three years ended 31 December 2012 and those for each of the three years ending 31 December 2015 (the “**2013-2015 Service Caps**”) were approved by the then Independent Shareholders at the extraordinary general meetings of the Company held on 31 December 2009 and 24 December 2012, respectively, details of which were set out in the Company’s circulars dated 14 December 2009 and 6 December 2012. In view of the expiry of the 2013-2015 Service Caps, the Company proposes to adopt the annual caps for the Service Transactions for the three years ending 31 December 2018 (the “**2016-2018 Service Caps**”) pursuant to Rule 14A.53(2) of the Listing Rules.

(i) Purchases of automobile parts and components by the Group from the Geely Holding Group

As advised by the management of the Company, the Group have been procuring certain automobile parts and components for use in the manufacturing of the CKDs and the Sedan Tool Kits through the Geely Holding Group since 2003. In view of the long-term relationships between the relevant members of the Geely Holding Group and the relevant suppliers of the required parts and components, the Directors consider that it is in the interest of the Group to continue the aforesaid procurement arrangement, as this will enable it to secure a reliable source of supply of the required automobile parts and components at competitive prices.

(ii) Provision of process manufacturing services by the Geely Holding Group to the Group

We were advised by the Company that it is the regulatory requirement under the PRC laws that automobile manufacturers are required to be approved by and obtain the relevant automobile products catalogue from the National Development Reform Commission of the PRC (the “**Automobile Products Catalogue**”) to carry out automobile manufacturing business and facilitate the payment of the consumption tax for the sales of automobiles in the PRC. We are further advised by the Company’s management that none of the members of the Group is currently in possession of the Automobile Products Catalogue and it would not be practical at present for the Group to apply for such accreditation. On the other hand, certain members of the Geely Holding Group have already been approved as automobile manufacturers in the PRC

LETTER FROM QUAM CAPITAL

with the relevant Automobile Products Catalogue for certain types of automobiles in the PRC which accredits them to, among others, import and operate certain molding equipment required for the manufacturing of certain automobile parts and components which form part of the CKDs and the Sedan Tool Kits.

Further, as advised by the Company, the process manufacturing services, involving the use of the aforesaid imported molding equipment, are essential and imperative to the manufacturing process of the CKDs and the Sedan Tool Kits, and will continue to be undertaken by certain members of the Geely Holding Group at the Group's production facilities.

(iii) Sales of the CKDs and the Sedan Tool Kits by the Group to the Geely Holding Group and sales of the CBUs by the Geely Holding Group to the Group

It is noted that certain members of the Geely Holding Group which possess the relevant Automobile Products Catalogue have been performing the final assembly of the CKDs and the Sedan Tool Kits and facilitating payment of the PRC consumption tax for the sales of the CBUs (each composing of a CKD and a Sedan Tool Kit) on behalf of the Group. It is also noted that after performing the aforesaid final assembly procedure, the Geely Holding Group will sell the CBUs to the Group's sales companies for onward sales and distribution to independent dealers or end customers.

Having considered the aforesaid regulatory requirement under the PRC laws regarding the Automobile Products Catalogue and that the types of automobiles specified under the particular Automobile Products Catalogue possessed by the relevant members of the Geely Holding Group include the categories to which the CBUs belong, the Directors consider that it is in the interest of the Group to continue engaging in the abovementioned sales transactions as stipulated in the Services Agreement.

Given the nature of the Service Transactions, it is reasonable to expect that the Service Transactions will continue to take place on a regular and frequent basis and in the ordinary and usual course of business of the Group in future. It would be impractical for the Company to strictly comply with the Listing Rules requirements regarding "connected transactions" on each occasion when it arises. As such, we are of the view that the adoption of the 2016-2018 Service Caps are essential for the Group in ensuring the continued smooth operation of its business of manufacturing and trading of automobiles, automobile parts and related automobile components for the three years ending 31 December 2018.

Based on the foregoing, we are of the view that the adoption of the 2016-2018 Service Caps is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

2. The 2016-2018 Service Caps

Set out below are the details of (i) the historical transaction amount of each of the Service Transactions for the year ended 31 December 2014 and the nine months ended 30 September 2015; (ii) the comparison of the annualised transaction amounts with the respective 2013-2015 Service Caps (the “**Service Transactions Utilisation Rate(s)**”); and (iii) the 2016-2018 Service Caps:

Type of the Service Transactions	Historical transaction amount		2016-2018 Service Caps		
	For the year ended	For the nine months ended	For the year ending 31 December		
	31 December	30 September	2016	2017	2018
	2014 <i>(Audited)</i> RMB'000	2015 <i>(Unaudited)</i> RMB'000	RMB'000	RMB'000	RMB'000
Purchases of automobile parts and components	3,401,891	2,874,804	11,282,384	17,940,062	26,009,872
Approved annual cap amounts for the two financial years ending 31 December 2015	10,242,973	13,557,739	N/A	N/A	N/A
<i>Service Transactions Utilisation Rate:</i>	33.2%	28.3% <i>(Note)</i>	N/A	N/A	N/A
Process manufacturing services fees	44,105	39,425	45,091	34,689	34,689
Approved annual cap amounts for the two financial years ending 31 December 2015	60,100	99,533	N/A	N/A	N/A
<i>Service Transactions Utilisation Rate:</i>	73.4%	52.8% <i>(Note)</i>	N/A	N/A	N/A
Sales of CKDs	18,849,680	17,272,223	43,976,763	62,811,135	83,706,837
Approved annual cap amounts for the two financial years ending 31 December 2015	50,709,816	67,807,905	N/A	N/A	N/A
<i>Service Transactions Utilisation Rate:</i>	37.2%	34.0% <i>(Note)</i>	N/A	N/A	N/A
Sales of Sedan Tool Kits	8,873	1,801	34,821	48,991	61,480

LETTER FROM QUAM CAPITAL

Type of the Service Transactions	Historical transaction amount		2016-2018 Service Caps		
	For the year ended	For the nine months ended	For the year ending 31 December		
	31 December	30 September	2016	2017	2018
	2014 <i>(Audited)</i> RMB'000	2015 <i>(Unaudited)</i> RMB'000	RMB'000	RMB'000	RMB'000
Approved annual cap amounts for the two financial years ending 31 December 2015	16,194	20,063	N/A	N/A	N/A
<i>Service Transactions Utilisation Rate:</i>	54.8%	12.0% <i>(Note)</i>	N/A	N/A	N/A
Purchases of CBUs	19,603,368	18,162,108	47,050,290	67,342,835	89,239,305
Approved annual cap amounts for the two financial years ending 31 December 2015	53,988,349	72,628,051	N/A	N/A	N/A
<i>Service Transactions Utilisation Rate:</i>	36.3%	33.3% <i>(Note)</i>	N/A	N/A	N/A

Note: The relevant Service Transactions Utilisation Rates are calculated as the annualised historical transaction amounts for the nine months ended 30 September 2015 divided by the relevant 2013-2015 Service Caps for the year ending 31 December 2015.

(i) The historical record of the transaction amounts of the Service Transactions

It is noted that the respective annualised Service Transactions Utilisation Rates for the year ended 31 December 2014 and the nine months ended 30 September 2015 were relatively low in general. As disclosed in the Letter from the Board, it was attributable to (i) the restructuring of the Group's sales and marketing functions in the PRC in 2014, which involved the screening out of inefficient dealers in order to focus on high performance dealers, and such restructuring led to the Group's reduction in total dealers from approximately 940 dealers as at 31 December 2013 to approximately 750 dealers as at 31 December 2014, which ultimately negatively affected the Group's domestic vehicle sales performance due to the material drop in sales volume of automobiles in the PRC; and (ii) the challenges encountered in the Group's export sales, primarily due to the political instability in some of its major export markets such as Ukraine and countries in the Middle East, and the weakening of certain currencies such as Russian Rouble against RMB in 2014 and so far in 2015.

Notwithstanding the above, based on our review of the historical transaction amounts of the Service Transactions for the first nine months of 2014 and 2015 respectively, we noted that there has been an overall upward trend. This was generally in line with the growth of sales

LETTER FROM QUAM CAPITAL

volume of the Group's sedans during the first nine months of 2015. As advised by the Company, the growth was mainly attributable to the strong sales performance in the domestic market and the enhancement in the Group's overall competitiveness after the aforementioned structural reforms in its sales and marketing functions. As stated in the Letter from the Board, in the first ten months of 2015, the Group sold 404,863 units of vehicle, achieving approximately 90% of its full year sales volume target of 450,000 units.

(ii) The bases of determination of the 2016-2018 Service Caps

It is noted that an upward trend is generally expected by the Directors for each of the 2016-2018 Service Caps of the Service Transactions (save for the decrease in the transaction amount relating to the provision of process manufacturing services for the years ending 31 December 2017 and 2018) for the period from 1 January 2016 to 31 December 2018.

We also noted that the 2016-2018 Service Caps for the years ending 31 December 2016 and 2017 were in general proposed to be lower than the respective approved annual caps for the two years ended/ending 31 December 2014 and 2015. As disclosed in the Letter from the Board, according to the figures released by the China Association of Automobile Manufactures ("CAAM") which is a self-discipline and non-profit social organisation founded in Beijing, the PRC in May 1987 with the approval of the Ministry of Civil Affairs of the PRC, the total sales volume of passenger cars in the PRC increased by approximately 9.9% as compared to a decrease in the total sales volume of passenger cars of the Group of approximately 16.8% in 2014 due to the implementation of a series of major structural reforms in the Group's sales and marketing functions from mid-2013 through 2014. However, the Group's average per unit sales price had improved slightly in 2014 as the result of the improvement in product mix during the year. The Group's model of the flagship mid-size model "EC7" together with its upgraded version remained the Group's popular models in which it accounted for approximately 38.9% of the Group's total sales volume in 2014. Taking into account the year-on-year decrease in total sales volume of the Group in 2014 as compared to 2013 as stated in the 2014 Annual Report and recent structural reforms, the Group's sales volume target for 2015 is relatively conservative with a target of approximately 450,000 units, which represents an increase of approximately 7.7% from 417,851 units for 2014. Accordingly, the Directors estimate the proposed annual caps amounts for the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services as set out in the Services Agreement for the two years ending 31 December 2016 and 2017 to be lower than the respective approved annual caps for the two years ended/ending 31 December 2014 and 2015.

It is further noted that the increases in the 2016-2018 Service Caps are generally in line with the expected growth of the sales of the sedans as predicted by the management of the Company for the relevant years. In this regard, we have discussed with the Company's management on the underlying bases and assumptions and noted that the Directors have principally taken into account (i) the recent sales performance of the Group, in particular the sales growth for the first nine months of 2015 as compared to the same period in 2014; (ii) the expected strong sales performance in the domestic market as a result of the enhancement in the Group's overall competitiveness after the aforementioned structural reforms in its sales and marketing functions which is expected to enable the Group entering into a rapid growth period

LETTER FROM QUAM CAPITAL

in the coming years; (iii) the expected launch of new sedan models during the three years ending 31 December 2018; (iv) the historical transaction amount of the Service Transactions; (v) the estimated portion of the total procurement of automobile parts and components from the Geely Holding Group; and (vi) the prevailing market price of the Group's sedan models.

In our assessment of the reasonableness and fairness of the 2016-2018 Service Caps, we have reviewed, among other things, (i) the related sales budget for the three years ending 31 December 2018 compiled by the Group and the underlying bases and assumptions related thereto; (ii) the existing product range and the expected launch of new sedan models of the Group; (iii) the latest consumption tax rates on sales of sedans in the PRC released by the PRC tax bureau; (iv) the historical sales performance of the Group's sedans in the domestic market and the export markets; (v) the initiatives to be taken by the Group to develop its export sales in the coming years; (vi) the historical transaction amounts of the Service Transactions; and (vii) the prevailing market prices of the Group's existing major sedan models and the prevailing market prices of similar models in the PRC automobile market comparable to the new sedan models that are expected to be launched by the Group. We have also discussed with the management of the Company on the underlying principal assumptions and bases that have been taken into account by the Directors in setting the 2016-2018 Service Caps. We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the 2016-2018 Service Caps at the proposed levels, after taking into consideration the following:

- the recent growth of the PRC automobile market. According to CAAM, the production and sales volume of automobile in the PRC recorded a growth of approximately 7.1% and 11.8% in October 2015, respectively, as compared to the previous month while Geely is one of the top 15 automobile brands in the PRC in terms of sales volume in January to October 2015;
- the recent announcement made by the State Council of the PRC regarding the purchase tax cut from 10% to 5% on passenger vehicles with engines no larger than 1.6 liters from October 2015, which is expected to support the sales of automobile in the PRC;
- that the Group intends to launch several new sedan models in 2016, such as compact sport utility vehicle (Compact SUV) and "Emgrand" full size compact sport utility vehicle (Emgrand SUV), to capture the fast growing SUV market in the PRC, while the "Emgrand" brand vehicles are expected to continue to achieve steady growth, especially the best-selling model, "EC7";
- the rearrangement of the product mix for the Group's major export markets with an aim to ensure the specification of the products meet the particular needs of the respective end users in the relevant export markets, which is expected to promote export sales regardless of the issues of political instability and the weakening of certain currencies such as Russian Rouble against RMB;

LETTER FROM QUAM CAPITAL

- that the estimated selling prices of new sedan models to be sold by the Group for each of the three years ending 31 December 2018 are determined with reference to the prevailing market prices of similar existing models in the PRC automobile market;
- that the selling prices of the Group's existing sedans are generally estimated to remain steady for each of the three years ending 31 December 2018;
- that the distribution costs of the CBUs, the manufacturing costs of the Sedan Tool Kits and the procurement cost of the automobile parts and components on a per unit basis are estimated to remain at about the similar level as those incurred in the previous years;
- the adoption of an estimated average consumption tax rate being within the range of 1% to 9% for the transactions relating to the sales of the CKDs (subject to the engine size of the relevant sedan models and after taking into account the aforesaid vehicle-purchase tax cut), which is in line with the existing consumption tax rates on sales of sedans in the PRC;
- the portion of the total procurement of automobile parts and components from the Geely Holding Group is expected to remain at about 25% for the three years ending 31 December 2018. The estimated increase in the sales amount of automobile parts and components for the three years ending 31 December 2018 is generally in line with the increase in projected units of sedan to be sold based on the sales budget of the Group as discussed above; and
- that the decrease in the transaction amount relating to the provision of process manufacturing services for the years ending 31 December 2017 and 2018 was mainly because various molding components will be fully depreciated in 2016.

Based on the factors and reasons discussed above, we are of the view that the 2016-2018 Service Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

B. THE LOAN GUARANTEE AGREEMENT

1. Background to and reasons for the Loan Guarantee Agreement and the relevant annual caps for the three years ending 31 December 2018

Pursuant to the Existing Loan Guarantee Agreement, the Group agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group for a term from 1 January 2013 to 31 December 2015. The Existing Loan Guarantee Agreement, together with the relevant annual caps for the three years ending 31 December 2015 (the “**2013-2015 Loan Guarantee Caps**”) were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 24 December 2012, details of which are set out in the Company's circular dated 6 December

LETTER FROM QUAM CAPITAL

2012. In view of the expiry of the Existing Loan Guarantee Agreement and the 2013-2015 Loan Guarantee Caps, the Company entered into the Loan Guarantee Agreement on 13 November 2015 and proposes to adopt the annual caps for the Guarantees for the three years ending 31 December 2018 (the “**2016-2018 Loan Guarantee Caps**”) pursuant to Rule 14A.53(2) of the Listing Rules.

Pursuant to the Loan Guarantee Agreement, the loan facilities obtained or to be obtained by the Geely Holding Group (the “**Loan Facilities**”) will be solely utilised by the Group for sedan manufacturing and research and development activity relating to the Group, which are within the ordinary and usual course of business of the Group. Accordingly, the Loan Facilities are essential for the Group’s continued overall business development, and the sole purpose of the provision of the Guarantees (including the pledge of certain lands, buildings and facilities of the Group) is to facilitate the Geely Holding Group to secure the Loan Facilities.

As stated in the Letter from the Board, the Directors consider that in order to tap into the increasing demand for the Company’s sedans, funding resources have to be committed to research and development activities, which include new car model design, development of new engine, electronic and electric auto-related components, etc. of the Group. The Directors also consider that the Geely Holding Group currently provides good access for the Company to obtain loans at lower finance costs for sedan manufacturing and research and development activities through its long-term relationships with certain PRC banks. As advised by the management of the Company, in addition to the Loan Facilities obtained on behalf of the Group from certain PRC banks, the Group had also directly obtained loan facility from a PRC bank (the “**Direct Loan Facility**”) to finance its production operations and research and development activities. Based on our review of the respective terms (including the interest rates) of the aforesaid Loan Facilities and the Direct Loan Facility, we concur with the view of the management of the Company that it is more beneficial to have the Geely Holding Group to solicit for the loan facilities on behalf of the Group from the relevant PRC banks, as it would enable the Group to obtain sufficient funding to accomplish its development plans while avoiding unnecessarily higher funding cost. The Company confirmed that the Direct Loan Facility had been repaid in full by October 2015. Based on the above and after taking into account the assets base of the Geely Holding Group, it is reasonable to expect that, as opposed to the Group, the Geely Holding Group will continue to be in a better position to negotiate with the PRC financial institutions for favourable financing terms relating to additional Loan Facilities for the purpose of financing the Group’s sedans manufacture and research and development activities. In this regard, we concur with the view of the Directors that such financing arrangement is beneficial to both the Company and the Shareholders, as it enables the Group to continue to leverage the Geely Holding Group’s ability to obtain low-cost financing for its business operations and the aforementioned development plan.

2. Principal terms of the Loan Guarantee Agreement

Pursuant to the Loan Guarantee Agreement, the Group agreed to provide the Guarantees (including the pledge of certain lands, buildings and facilities of the Group) on the Loan Facilities in relation to the manufacture and research and development of sedans of the Group for a term from 1 January 2016 or the date of obtaining the Independent Shareholders’ approval at the EGM (whichever is later) to 31 December 2018 (the “**Guarantee Transaction**”).

LETTER FROM QUAM CAPITAL

It should be noted that, pursuant to the Loan Guarantee Agreement, the Geely Holding Group (i) warrants that the Loan Facilities will only be utilised for sedan manufacturing and research and development activities relating to the Group; (ii) would obtain consent(s) from the Group prior to the drawdown of the Loan Facilities; and (iii) agrees to provide counter indemnified guarantees on the Guarantees.

The Directors have confirmed to us that the Guarantee Transaction, which is capped at RMB1,500 million for each of the three years ending 31 December 2018, is not expected to have any material adverse impact on the Group's financial position, given (i) the existing financial position of the Group with the unaudited consolidated net asset value of approximately HK\$18.5 billion as at 30 June 2015; (ii) the economic benefits to be generated from utilising the Loan Facilities; (iii) that the repayment obligations shall lie with the Group which is and will continue to be the ultimate borrower of the Loan Facilities; (iv) that a consent of the Group is required every time prior to drawdown of the Loan Facilities; and (v) the grant of counter indemnified guarantees by the Geely Holding Group in consideration of the Guarantees. Based on our review of the registered capital and audited net asset value of the Geely Holding Group as at 31 December 2014 as advised by the Company and the maximum amount of Guarantees as governed by the 2016-2018 Loan Guarantee Caps, we have no reasons to doubt that the Geely Holding Group cannot provide the counter indemnities on the Guarantees. The Directors further confirmed that notwithstanding the above, the Group will assess its then financial position every time prior to drawdown of the Loan Facilities in order to avoid any material adverse impacts on its financial position.

The Company confirms that the terms of the Loan Guarantee Agreement are substantially the same as those stipulated under the Existing Loan Guarantee Agreement.

It was stated in the annual reports of the Company for the years ended 31 December 2013 and 2014 that, among others, the Existing Loan Guarantee Agreement had been reviewed by the independent non-executive Directors and they confirmed that the transactions under the Existing Loan Guarantee Agreement were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) the actual transaction amounts did not exceed the respective annual caps for the years ended 31 December 2013 and 2014 as approved by the Stock Exchange and the then Independent Shareholders.

Besides, based on their work performed, the auditors of the Company have confirmed that the transactions under the Existing Loan Guarantee Agreement (a) had been approved by the Board; (b) had been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) the actual transaction amount did not exceed the respective annual caps for the years ended 31 December 2013 and 2014 as approved by the Stock Exchange and the then Independent Shareholders.

LETTER FROM QUAM CAPITAL

Having considered the above and in particular after taking into account the following:

- that the solicitation for the Loan Facilities from the relevant PRC banks have been and will be undertaken by the Geely Holding Group;
- that the Group is indeed the ultimate borrower of the Loan Facilities which are and will be solely utilised by the Group to finance its sedan manufacturing activities and the research and development relating thereto;
- the terms of loan facilities obtainable by the Geely Holding Group and the Group from PRC financial institutions;
- that the sole purpose of the Guarantee Transaction is to facilitate the Geely Holding Group to secure the Loan Facilities;
- that the drawdown of the Loan Facilities is subject to prior consent(s) of the Group; and
- that the Loan Facilities are counter indemnified by the Geely Holding Group,

we are of the view that the Guarantee Transaction is fair and reasonable, on normal commercial terms and is in the interests of both the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

3. The 2016-2018 Loan Guarantee Caps

Set out below are the details of (i) the actual aggregate maximum outstanding guarantee amounts of the Guarantee Transaction for the financial year ended 31 December 2014 and the nine months ended 30 September 2015 respectively; (ii) the comparison of such historical transaction amounts with the respective 2013-2015 Loan Guarantee Caps (the “**Guarantee Transaction Utilisation Rate(s)**”); and (iii) the 2016-2018 Loan Guarantee Caps:

	Historical transaction amount		2016-2018 Loan Guarantee Caps		
	For the year ended	For the nine months ended			
	31 December	30 September	For the year ending 31 December		
	2014	2015	2016	2017	2018
	<i>(Audited)</i>	<i>(Unaudited)</i>			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate maximum outstanding guarantee amount	340,000	340,000	1,500,000	1,500,000	1,500,000
Approved annual cap amounts for the two financial years ending 31 December 2015	1,200,000	1,500,000	N/A	N/A	N/A
<i>Guarantee Transaction Utilisation Rate:</i>	28.3%	22.7%	N/A	N/A	N/A

It is noted that the respective Guarantee Transaction Utilisation Rates for the year ended 31 December 2014 and the nine months ended 30 September 2015 were relatively low. As disclosed in the Letter from the Board, it was because during the aforesaid period, certain PRC banks were not able to offer loans with desirable terms to the Geely Holding Group. However, as a result of the People’s Bank of China (“**PBOC**”) recently lowering benchmark interest rates in the PRC, it is anticipated that the Geely Holding Group will be able to obtain loans with more desirable terms during the three years ending 31 December 2018 as compared to the respective terms during the year ended 31 December 2014 and the nine months ended 30 September 2015.

As stated in the Letter from the Board, the 2016-2018 Loan Guarantee Caps were determined with reference to the loans to be obtained by the Geely Holding Group starting from the effective date of the Loan Guarantee Agreement in relation to the sedan manufacturing and research and development activities relating to the Group. As advised by the Geely Holding Group, the Geely Holding Group has already discussed with certain PRC banks and they have made preliminary plans with regard to financing needs of the Group and cost of financing for the year ending 31 December 2016. In this regard, we have discussed with the Company’s management on the underlying reasons, and noted that the Directors have principally taken into account (i) the funding requirement for the Group’s sedan manufacturing and research and development activities; (ii) the ability of the Geely Holding Group to obtain low-cost financing given its long-term relationships with certain banks in the

LETTER FROM QUAM CAPITAL

PRC, in particular the indicative offer of loan facilities obtained by Geely Holding Group as the Latest Practicable Date; (iii) the recent trend of the PBOC benchmark interest rates; (iv) the amount of the Loan Facilities and Guarantees as at 30 September 2014; and (v) the estimated amount of the Group's assets available to be pledged for the purpose of the provision of the Guarantees.

We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the 2016-2018 Loan Guarantee Caps at the proposed levels, after taking into consideration the following:

- that the financial resources to be devoted to the Group's sedan manufacturing and research and development activities are expected to increase during the three years ending 31 December 2018 as a result of the increase in production activities to accommodate the expected increase in sales volume and the increase in research and development activities based on the products life cycle of the Group's existing sedan models, as well as the launch and development of electric vehicle models;
- the recent trend of the PBOC benchmark interest rates which may enable the Geely Holding Group to obtain loans with more desirable terms; and
- the Directors' confirmation that, in the absence of unforeseen circumstances, the provision of the Guarantees in a maximum amount of RMB1,500 million is not expected to have any material adverse impact on the Group's financial position, given (i) the unaudited consolidated net asset value of the Group of approximately HK\$18.5 billion as at 30 June 2015; (ii) that there has been no material adverse change to the respective net asset value position of the Group since 30 June 2015 and up to the Latest Practicable Date; and (iii) the grant of counter indemnified guarantees by the Geely Holding Group in consideration of the Guarantees.

Based on the factors and reasons discussed above, we are of the view that the 2016-2018 Loan Guarantee Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

C. THE ELECTRIC VEHICLE AGREEMENT

1. Background to and reasons for the Electric Vehicle Agreement and the relevant annual caps for the three years ending 31 December 2018

On the 13 November 2015, the Company and Geely Holding entered into the Electric Vehicle Agreement, pursuant to which the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group from 1 January 2016 to 31 December 2018 (the "**EV Transaction**"). The Company proposes to adopt the annual caps for the EV Transaction for the three years ending 31 December 2018 (the "**2016-2018 EV Caps**") pursuant to Rule 14A.53(2) of the Listing Rules.

LETTER FROM QUAM CAPITAL

As disclosed in the Letter from the Board, the Directors consider that, with the increasing public awareness of environmental protection and the PRC government policy relating to saving fuel and reducing vehicle emission, major vehicles manufacturers are actively developing and promoting electric vehicles and hybrid vehicles. The Board has long recognised the development potential in the electric vehicles market in the PRC, and hence, the Group started to commence production of electric version of the “EC7” model in 2015.

As advised by the Company, to encourage and promote the use and development of new energy vehicles in the PRC, the PRC government has introduced a grant towards the sale of electric vehicles in the PRC (the “**PRC Government Grant**”) which is generally calculated on a per-unit basis based on the number of electric vehicles sold by the PRC corporates. The supporting targets of the PRC Government Grant are the end customers of new energy vehicles in the PRC. The Company confirmed that none of the members of the Group is currently qualified to obtain the PRC Government Grant, whereas certain subsidiaries of the Geely Holding Group are already eligible for the PRC government Grant. As such, in order to enable the Group to gain competitive edge through the benefit of the PRC Government Grant, it is the current intention of the Group to sell its CBUs (Electric Vehicles) through the relevant subsidiaries of the Geely Holding Group in the PRC. The Company confirmed that the Group’s existing and future models of CBUs (Electric Vehicles) are expected to be qualified for the PRC Government Grant. Accordingly, the Electric Vehicle Agreement is considered to be essential for facilitating the Group’s sale of electric vehicles in the PRC given that the PRC Government Grant will effectively lower end customers’ purchase price of the Group’s CBUs (Electric Vehicles) as compared to selling CBUs (Electric Vehicles) directly by the Group in the PRC without the PRC Government Grant. Moreover, it is also reasonable to expect that the arrangement under the Electric Vehicle Agreement will assist the Group in establishing its presence in the PRC electric vehicle market with its first model of electric vehicle “EC7” expected to be launched in 2016 with the pricing competitiveness contributed by the PRC Government Grant.

Based on the foregoing and taking to consideration that the principal business of the Group is the manufacturing and trading of automobiles and automobile parts and related automobile components, we concur with the Directors’ view that the entering into of the Electric Vehicle Agreement and adoption of the 2016-2018 EV Caps are conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Electric Vehicle Agreement

Pursuant to Electric Vehicle Agreement, the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group from 1 January 2016 to 31 December 2018.

The EV Transaction will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company. The selling price of CBUs (Electric Vehicles) will be determined in accordance with the principle of (i) the sales of CBUs (Electric Vehicles) will be conducted on an arm’s length basis and on normal commercial terms; and (ii) CBUs (Electric Vehicles) will be sold with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors.

LETTER FROM QUAM CAPITAL

The prevailing market price of CBUs (Electric Vehicles) will be determined based on the following:

- (a) the price of the same or similar CBUs (Electric Vehicles) available to other independent third party distributors in the same or near region agreed on normal commercial terms and in the ordinary course of business; or
- (b) if (a) is not applicable, the price of the same or similar CBUs (Electric Vehicles) available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

Based on the information available on the website of the Stock Exchange as at the Latest Practicable Date, we have, on a best effort basis, identified and made reference to, as far as we are aware, a comparable transaction regarding sale of automobiles announced by another automobile company namely Brilliance China Automotive Holdings Limited whose shares are listed on the Stock Exchange (Stock code: 1114), details of which are set out in its circular dated 10 December 2014. This is an exhaustive sample of transaction involving the sales of automobile to holding company which constituted a continuing connected transaction of a company listed on the Stock Exchange pursuant to the Listing Rules; and (ii) was announced by the relevant listed company from 1 January 2014 up to the date of the Electric Vehicle Agreement and was subsequently approved by its independent shareholders in an extraordinary general meeting. We have reviewed the pricing term for such comparable transaction, and noted that the pricing term stipulated under the Electric Vehicle Agreement is in line with that of such comparable transaction. The Company confirmed that sale of CBUs (Electric Vehicles) is a new business activity of the Group to be commenced in 2016 and no CBUs (Electric Vehicles) have been sold by the Group to any member of the Geely Holding Group or any independent third party distributor as the Group's electric vehicle models (i.e. the electric version of the "EC7" being the first and the only CBU (Electric Vehicle) manufactured by the Group as at the Latest Practicable Date) are expected to be launched in 2016. The Company also confirmed that the Group has not identified any independent third party distributor for the sales of its existing CBUs (Electric Vehicles). Notwithstanding this, we have reviewed and discussed with the Company's management about the bases for determining the expected unit selling price of the Group's existing electric vehicles to be sold to the Geely Holding Group. We understand that such unit selling price was determined with reference to the prevailing market price of an electric vehicle available in the PRC market which is comparable to the electric version of the "EC7" model and after taking into account the PRC Government Grant and the estimated manufacturing and selling costs to be incurred. Based on the information set out in the annual report for the year ended 31 December 2014 of BYD Company Limited ("BYD") (Stock code: 1211) which is considered by the Company to be most comparable to the Group in terms of its principal business activities, product ranges, product branding, target market and current market capitalisation, we have estimated the profit margin derived from the sales of automobiles and related products business undertaken by BYD. We noted that the profit margin derived from the Group's sales budget in respect of the EV Transaction is higher than the aforesaid estimated profit margin of BYD. The Company confirmed that the internal control measures put in place will ensure that the profit margin to be derived from the EV Transaction will always be not lower than the profit margin to be derived from the sales of CBUs (Electric Vehicles) to any independent third party distributor.

LETTER FROM QUAM CAPITAL

We noted that the Group has established an internal control system for the purpose of monitoring the execution and implementation of the EV Transaction, including specific monitoring and reporting measures and procedures to ensure compliance with the pricing terms under the Electric Vehicle Agreement. As stated in the Letter from the Board, the Group will monitor the expected selling price of electric vehicles and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling price of CBUs (Electric Vehicles). It is also stated that the Group's finance department and general managers in charge are responsible for ensuring the EV transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders. Further, in addition to the annual reviews by the independent non-executive Directors and the independent auditors respectively, the internal audit department of the Group will conduct assessment at least annually (or more frequently if it is determined necessary) on the internal control measures for the EV Transaction to ensure the relevant internal control measures have been adhered to and are effective. Based on our review of the Group's internal control measures for the EV Transaction and discussions with the management of the Company regarding the underlying monitoring and reporting procedures, we have no reasons to doubt the effectiveness of the relevant internal control to ensure compliance with the pricing terms under the Electric Vehicle Agreement.

Having considered the above and in particular after taking into account the following:

- the selling price of CBUs (Electric Vehicles) under the Electric Vehicle Agreement will be determined with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors;
- the reference sources for determining the prevailing market price of CBUs (Electric Vehicles) as mentioned above are considered obtainable and not unreasonable;
- the sole purpose of the EV Transaction is to facilitate the Group's sale of electric vehicles in the PRC; and
- the Group has put in place internal control measures to monitor the expected selling price of electric vehicles and the relevant cost items, which include mainly distribution costs, to ensure the EV Transaction will be conducted on an arm's length basis and on normal commercial terms,

we are of the view that the EV Transaction is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

3. The 2016-2018 EV Caps

Set out below are the 2016-2018 EV Caps:

	2016-2018 EV Caps		
	For the year ending 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sale of CBUs (Electric Vehicles)	1,000,000	2,000,000	4,000,000

Note: There is no historical transaction amount of the EV Transaction as the Group has not sold any CBU (Electric Vehicle) to any member of the Geely Holding Group in the past given the fact that sale of CBUs (Electric Vehicles) is a new business activity of the Group with its first electric vehicle model expected to be launched in 2016.

As stated in the Letter from the Board, the 2016-2018 EV Caps were determined by the Directors by reference to (i) the anticipated growth in the units of CBUs (Electric Vehicles) to be sold based on the sales budget of the Group for the three years ending 31 December 2018; and (ii) the projected selling price per CBU (Electric Vehicle) to end customers, which are expected to remain stable for the three years ending 31 December 2018.

We have obtained and reviewed the sales budget of the Group for CBUs (Electric Vehicles) for the three years ending 31 December 2018.

We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the 2016-2018 EV Caps at the proposed levels, after taking into consideration the following:

- the upward trend in the PRC electric vehicle industry resulting from, among other things, the increasing public awareness of environmental protection in the PRC. According to CAAM, the production and sales volume of electric vehicles in the PRC for the ten months ended 31 October 2015 recorded a growth of approximately 3.3 times and 3.9 times more than that recorded for the corresponding period in 2014, respectively;
- the PRC government policy relating to saving fuel and reducing vehicle emission and the continuous support from the PRC government to promote electric-vehicle technology development, while encouraging the use of new energy vehicles in the PRC, such as the 《節能與新能源汽車產業發展規劃(2012-2020)》(The Development Plan of Energy Saving and New Energy Vehicles Industry (2012-2020)) implemented by the State Council of the PRC to promote the production and use of new energy vehicles, including electric vehicles;
- the expected amount of subsidy to be obtained for each CBU (Electric Vehicle) manufactured by the Group pursuant to the PRC Government Grant;

LETTER FROM QUAM CAPITAL

- the actual sales volume of the Group's best-selling model, "EC7" for the ten months ended 31 October 2015; and
- the prevailing market price of similar CBUs (Electric Vehicles) manufactured by local automobile manufacturers in the PRC automobile market.

Based on the factors and reasons discussed above, we are of the view that the 2016-2018 EV Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

D. REQUIREMENTS OF THE LISTING RULES

For each financial year of the Company during the terms of the Services Agreement, the Loan Guarantee Agreement and the Electric Vehicle Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company's auditors as required by the provisions of Rules 14A.55 and 14A.56 of the Listing Rules respectively. The independent non-executive Directors must confirm in the annual report and accounts that the Non-exempted Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company to engage its auditors to report on the Non-exempted Continuing Connected Transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Non-exempted Continuing Connected Transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
- have exceeded the proposed annual caps.

Given the above, as well as the Group's internal control measures in place as disclosed in the Letter from the Board, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the Non-exempted Continuing Connected Transactions will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

LETTER FROM QUAM CAPITAL

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 nature of the Non-exempted Continuing Connected Transactions;
- that the adoption of the 2016-2018 Service Caps is for the facilitation of the continuing manufacturing and sales operations of the Group;
- the Service Transactions are in line with the Group's principal business activities;
- the entering into of the Loan Guarantee Agreement is for funding the Group's sedan manufacturing activities and the research and development relating thereto, which are within the ordinary and usual course of business of the Group;
- the entering into of the Electric Vehicle Agreement and the adoption of the 2016-2018 EV Caps are for facilitating the Group's new business activity being sale of electric vehicles in the PRC;
- the EV Transaction which is in line with the Group's principal business activities is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole;
- the Group's internal control system put in place to safeguard the interests of the Company and the Shareholders in relation to the Non-exempted Continuing Connected Transactions; and
- that the Caps have been set by the Directors, after careful and due considerations, at levels which are in the interests of both the Company and the Shareholders as a whole,

we consider that (i) the Loan Guarantee Agreement and the Electric Vehicle Agreement have been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; (ii) the respective terms and conditions of the Loan Guarantee Agreement and the Electric Vehicle Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Loan Guarantee Agreement, the Electric Vehicle Agreement and the adoption of the Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Chief Executive Officer

Mr. Richard D. Winter is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

The circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein of this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules were as follows:

(i) Director's interests and short positions in the securities of the Company

Name of Directors	Nature of interests	Number of Shares		Approximate percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li (<i>Note 1</i>)	Interest in controlled corporations	3,751,159,000	–	42.62
Mr. Li (<i>Note 1</i>)	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	15,380,000	–	0.17
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Mr. Liu Jin Liang	Personal	4,250,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05

Name of Directors	Nature of interests	Number of Shares		Approximate percentage of shareholding (%)
		Long position	Short position	
Share options				
Mr. Yang Jian	Personal	12,000,000 <i>(Note 2)</i>	–	0.14
Mr. Gui Sheng Yue	Personal	11,500,000 <i>(Note 2)</i>	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 <i>(Note 4)</i>	–	0.07
Mr. An Cong Hui	Personal	9,000,000 <i>(Note 2)</i>	–	0.10
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 <i>(Note 2)</i>	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 <i>(Note 4)</i>	–	0.06
Mr. Liu Jin Liang	Personal	9,000,000 <i>(Note 2)</i>	–	0.10
Ms. Wei Mei	Personal	3,000,000 <i>(Note 2)</i>	–	0.03
Ms. Wei Mei	Personal	5,000,000 <i>(Note 3)</i>	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 <i>(Note 4)</i>	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 <i>(Note 2)</i>	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 <i>(Note 4)</i>	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 <i>(Note 2)</i>	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 <i>(Note 4)</i>	–	0.01
Mr. An Qing Heng	Personal	1,000,000 <i>(Note 4)</i>	–	0.01
Mr. Wang Yang	Personal	1,000,000 <i>(Note 4)</i>	–	0.01

Notes:

1. Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold 3,751,159,000 Shares (excluding those held directly by Mr. Li), representing approximately 42.62% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li and his associate.
2. The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) 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 of the Latest Practicable Date.
3. The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) 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 of the Latest Practicable Date.
4. The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. The percentage of shareholding is calculated on the basis that (i) 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 of the Latest Practicable Date.

(ii) *Director’s interests and short positions in the securities of the associated corporations of the Company*

Name of Directors	Name of its associated corporations	Number of shares in its associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li	Geely Group Limited	50,000	–	100
Mr. Li	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)

Name of Directors	Name of its associated corporations	Number of shares in its associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)
Mr. Li	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	–	(Note 11)
Mr. Li	Jinan Geely Automobile Company Limited	(Note 12)	–	(Note 12)

Notes:

1. Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”) and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
2. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
3. Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
4. Shanghai Maple Automobile Company Limited (“**Shanghai Maple Automobile**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

5. Zhejiang Haoqing Automobile Manufacturing Company Limited (“**Zhejiang Haoqing**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
6. Zhejiang Jirun Automobile Company Limited (“**Zhejiang Jirun**”) is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Geely. Zhejiang Geely is incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
7. Shanghai Maple Guorun Automobile Company Limited (“**Shanghai Maple**”) is a private company incorporated in the PRC and is 1% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
8. Zhejiang Kingkong Automobile Company Limited is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
10. Hunan Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
11. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li and his associate.
12. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li and his associate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

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

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

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

Name of Shareholder	Nature of interests	Number or Shares held			Approximate percentage of shareholding (%)
		Long position	Short position	Lending pool	
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	-	-	27.98
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	-	-	42.62
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	-	-	8.82
Geely Group Limited (Note 1)	Beneficial owner	87,000	-	-	0.001
	Interest in controlled corporation	2,462,400,000	-	-	27.98
JP Morgan Chase & Co.	Interest in controlled corporation	705,620,199	-	-	8.02
		-	11,075,000	-	0.13
		-	-	192,816,100	2.19

Notes:

1. Proper Glory Holding Inc. (“**Proper Glory**”) is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”) and as to 32% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li and his associate.
2. Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

Mr. Li is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

3. COMPETING INTEREST

The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Geely Holding will constitute competing businesses (the “**Competing Businesses**”) to those currently engaged by the Group. Mr. Li has undertaken to the Company (the “**Undertaking**”) on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs the Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the “**Volvo Acquisition**”). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, but Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group’s product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group’s product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group’s product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of

vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

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

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

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 2014, 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 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 Group.

Save for disclosed below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is material in relation to the business of the Group.

- **Services Agreement between the Company and Geely Holding (the Services Agreement has an effective term until 31 December 2020)**

- *Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group*

Pursuant to the Services Agreement and the Company's announcement dated 27 November 2009, the Group agreed to supply to the Geely Holding Group the CKDs and Sedan Tool Kits in accordance with the product specifications set out in the Services Agreement.

- *Sales of CBUs, automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group*

Pursuant to the Services Agreement and the Company's announcement dated 27 November 2009, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the Services Agreement.

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

The Shareholders' meeting in respect of the aforesaid Services Agreement was held on 31 December 2009 and the Services Agreement was duly approved by the then Independent Shareholders.

- **Existing Loan Guarantee Agreement between the Company and Geely Holding (the Existing Loan Guarantee Agreement has an effective term until 31 December 2015)**

Pursuant to the Existing Loan Guarantee Agreement and the Company's announcement dated 16 November 2012, the Group agreed 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 on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group.

As the applicable percentage ratios of the continuing connected transactions contemplated under the Existing Loan Guarantee Agreement are higher than 5% on an annual basis, the Existing Loan Guarantee Agreement is subject to the reporting, annual review, announcement requirements and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the aforesaid Existing Loan Guarantee Agreement was held on 24 December 2012 and the Existing Loan Guarantee Agreement was duly approved by the then Independent Shareholders.

- **CBU agreement between the Company and Geely Holding, as supplemented by the Supplemental CBU Agreement (the CBU agreement has been renewed on 12 December 2014 and the renewed CBU agreement has an effective term until 31 December 2017)**

Pursuant to the CBU agreement dated 12 December 2014 and the Supplemental CBU Agreement dated 13 November 2015, the Group agreed to sell to the Geely Holding Group the CBUs, in accordance with the product and service specifications set out in the CBU agreement.

As the applicable percentage ratios of the continuing connected transactions contemplated under the CBU agreement and the Supplemental CBU Agreement are less than 5% on an annual basis, the CBU agreement and the Supplemental CBU Agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

- **IT services agreement between the Company and Geely Holding (the IT services agreement has an effective term until 31 December 2018)**

Pursuant to the IT services agreement dated 13 November 2015, the Geely Holding Group agreed to provide certain IT services to the Group.

As the applicable percentage ratios of the continuing connected transactions contemplated under the IT services agreement are less than 5% on an annual basis, the IT services agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

- **Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2018)**

Pursuant to the business travel services agreement dated 13 November 2015, the Geely Holding Group agreed to provide business travel and related services to the Group.

As the applicable percentage ratios of the continuing connected transactions contemplated under the business travel services agreement are less than 5% on an annual basis, the business travel services agreement is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited accounts of the Company have been made up.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Quam Capital	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group was made up; and

- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at A18/F., Asia Orient Tower, 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM on 30 December 2015:

- (a) the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;
- (c) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 45 of this circular;
- (d) the written consent from Quam Capital referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and
- (e) this circular.

NOTICE OF THE EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (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, 30 December 2015 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT

the annual cap amounts in respect of the supply of CKDs and Sedan Tool Kits (as defined in the circular of the Company dated 14 December 2015 (the “**Circular**”) and the purchase of CBUs (as defined in the Circular), automobile parts and components and provision of process manufacturing services under the master agreement dated 27 November 2009 (the “**Services Agreement**”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, and as set out in the Circular for each of the three financial years ending 31 December 2016, 2017 and 2018 be and are hereby approved”;

2. “THAT

- (a) the conditional agreement dated 13 November 2015 (the “**Electric Vehicle Agreement**”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**B**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company together with its subsidiaries agreed to sell CBUs (Electric Vehicles) (as defined in the circular of the Company dated 14 December 2015 (the “**Circular**”)) to the Geely Holding Group, be and is hereby approved, ratified and confirmed;
- (b) the annual cap amounts in respect of the sales of CBUs (Electric Vehicles) as set out in the Circular for each of the three financial years ending 31 December 2016, 2017 and 2018 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to

NOTICE OF THE EGM

do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Electric Vehicle Agreement.”; and

3. “THAT

- (a) the conditional agreement dated 13 November 2015 (the “**Loan Guarantee Agreement**”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**C**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company together with its subsidiaries (the “**Group**”) agreed 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 on behalf of the Group (the “**Guarantees**”), be and is hereby approved, ratified and confirmed;
- (b) the annual cap amounts in respect of the Guarantees as set out in the circular of the Company dated 14 December 2015 for each of the three financial years ending 31 December 2016, 2017 and 2018 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Loan Guarantee Agreement”.

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

Hong Kong, 14 December 2015

Head office and principal place of business in Hong Kong:

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

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting as referred to in the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
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 under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the instrument appointing a proxy and 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 delivered to the office of the Hong Kong share registrars of the Company, Union Registrars Limited, at A18/F., Asia Orient Tower, 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).
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and/or voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang and Ms. Wei Mei, the non-executive director of the Company is Mr. Carl Peter Edmund Moriz Forster, and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang.