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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).

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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
THE ACQUISITIONS OF THE BAOJI TARGET AND THE SHANXI TARGET
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 page 22 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 36 of this circular.

A notice convening the EGM to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Monday, 8 August 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

21 July 2016

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DEFINITIONS

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

“Acquisitions”	the acquisitions of the entire registered capitals of the Baoji Target and the Shanxi Target by Jirun Automobile pursuant to the Baoji Acquisition Agreement and the Shanxi Acquisition Agreement, respectively
“Acquisition Agreements”	the Baoji Acquisition Agreement and the Shanxi Acquisition Agreement, collectively
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Baoji Acquisition”	the acquisition of the entire registered capital of the Baoji Target by Jirun Automobile from Baoji Geely pursuant to the Baoji Acquisition Agreement
“Baoji Acquisition Agreement”	the acquisition agreement entered into between Jirun Automobile and Baoji Geely on 1 June 2016 in relation to the Baoji Acquisition
“Baoji Consideration”	the consideration for the Baoji Acquisition, being RMB702,206,798
“Baoji Geely”	寶雞吉利汽車有限公司 (Baoji Geely Automobile Company Limited), a limited liability company incorporated in the Shaanxi Province, the PRC, and a wholly-owned subsidiary of Zhejiang Haoqing as at the Latest Practicable Date
“Baoji Land and Buildings”	land and buildings situated in an industrial complex at the north of Gaoxin Avenue, south of Binhe Road, New High Tech Industries Development Zone, Baoji City, Shaanxi Province, the PRC, comprising (i) a parcel of land with a site area of approximately 790,850 sq.m.; and (ii) an industrial complex under construction (upon completion of construction, this industrial complex will have 15 buildings with a total planned gross floor area of approximately 271,590.25 sq.m. and 32 structures)
“Baoji Manufacturing Plant”	the principal asset of the Baoji Target, which is a manufacturing plant situated at the New High Tech Industries Development Zone, Baoji City, Shaanxi Province, the PRC, with a designed production capacity of approximately 200,000 units of vehicle per annum, and primarily manufactures new high-end sedan and SUV models
“Baoji Purchase Shares”	the entire registered capital of the Baoji Target as at the Latest Practicable Date

DEFINITIONS

“Baoji Target”	寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited), a limited liability company incorporated in the Shaanxi Province, the PRC, and a wholly-owned subsidiary of Baoji Geely as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisitions
“GAAP”	generally accepted accounting principles
“Geely Holding”	浙江吉利控股集團有限公司 (Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the Latest Practicable Date
“Geely Holding Group”	Geely Holding and its subsidiaries
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Acquisitions
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui and their respective associates
“Jirun Automobile”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited), a limited liability company incorporated in the Zhejiang Province, the PRC, and a 99% owned subsidiary of the Company as at the Latest Practicable Date
“Latest Practicable Date”	15 July 2016, being the latest practicable date prior to the dispatch of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	60 calendar days from the date of the Baoji Acquisition Agreement and the Shanxi Acquisition Agreement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 42.98% interest in the total issued share capital of the Company as at the Latest Practicable Date
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce and its local bureaux
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanxi Acquisition”	the acquisition of the entire registered capital of the Shanxi Target by Jirun Automobile from Shanxi New Energy pursuant to the Shanxi Acquisition Agreement

DEFINITIONS

“Shanxi Acquisition Agreement”	the acquisition agreement entered into between Jirun Automobile and Shanxi New Energy on 1 June 2016 in relation to the Shanxi Acquisition
“Shanxi Consideration”	the consideration for the Shanxi Acquisition, being RMB720,244,135
“Shanxi Land and Buildings”	land and buildings situated in an industrial complex at No. 369 Guangan East Street, Yuci District, Jinzhong City, Shanxi Province, the PRC, comprising (i) a parcel of land with a site area of approximately 733,333.34 sq.m.; (ii) 19 completed buildings with total gross floor area of approximately 190,538.74 sq.m. and various ancillary structures; and (iii) 3 buildings and 2 structures which are still under construction (upon completion of construction, these buildings and structures will have a total gross floor area of approximately 1,494 sq.m.)
“Shanxi Manufacturing Plant”	the principal asset of the Shanxi Target, which is a manufacturing plant situated at the Jinzhong City, Shanxi Province, the PRC, with a designed production capacity of approximately 100,000 units of vehicle per annum, and primarily manufactures new high-end sedan and mid-end to high-end electric vehicle models
“Shanxi New Energy”	山西新能源汽車工業有限公司 (Shanxi New Energy Automobile Industrial Company Limited), a limited liability company incorporated in the Shanxi Province, the PRC, and a wholly-owned subsidiary of Zhejiang Haoqing as at the Latest Practicable Date
“Shanxi Purchase Shares”	the entire registered capital of the Shanxi Target as at the Latest Practicable Date
“Shanxi Target”	山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited), a limited liability company incorporated in the Shanxi Province, the PRC, and a wholly-owned subsidiary of Shanxi New Energy as at the Latest Practicable Date
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Zhejiang Haoqing”

浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited), a private limited liability company incorporated in the PRC and is wholly-owned by Geely Holding as at the Latest Practicable Date

“%”

per cent

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

LETTER FROM THE BOARD

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Li Dong Hui, Daniel (*Vice Chairman*)
Mr. Gui Sheng Yue (*CEO*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
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. 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

21 July 2016

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
THE ACQUISITIONS OF THE BAOJI TARGET AND THE SHANXI TARGET**

INTRODUCTION

Reference is made to the Company's announcement dated 1 June 2016, in which the Company announced that (a) Jirun Automobile as the purchaser entered into the Baoji Acquisition Agreement with Baoji Geely as the vendor, pursuant to which, Jirun Automobile has conditionally agreed to acquire, and Baoji Geely has conditionally agreed to sell, the Baoji Purchase Shares, being the entire registered capital of the Baoji Target. The consideration for the Baoji Acquisition is RMB702,206,798; and (b) Jirun Automobile as the purchaser entered into the Shanxi Acquisition Agreement with Shanxi New Energy as the vendor, pursuant to which, Jirun Automobile has conditionally agreed to acquire, and Shanxi New Energy has conditionally agreed to sell, the Shanxi Purchase Shares, being the entire registered capital of the Shanxi Target. The consideration for the Shanxi Acquisition is RMB720,244,135.

LETTER FROM THE BOARD

The Company has established the Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang (all of whom are independent non-executive Directors) to advise the Independent Shareholders in respect of the Acquisitions. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The appointment of Gram Capital has been approved by the Independent Board Committee.

The purpose of this circular is to provide you with, inter alia, (i) further information on the Acquisitions; (ii) the recommendation from the Independent Board Committee in respect of the terms of the Acquisition Agreements; (iii) the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the Acquisitions; (iv) the notice convening the EGM together with the form of proxy for the purpose of considering and, if thought fit, approving, by way of poll, the Acquisitions; and (v) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENTS

The Baoji Acquisition Agreement

The principal terms of the Baoji Acquisition Agreement are set out below:

Date

1 June 2016 (after trading hours)

Parties

Vendor: Baoji Geely

Purchaser: Jirun Automobile

Baoji Geely is principally engaged in the design, manufacturing, sales and after-sales services of automobiles related components, and investment advisory services in the PRC. Jirun Automobile is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC. As at the Latest Practicable Date, Jirun Automobile was owned as to 99% by the Company and 1% by Geely Holding. Reference is made to the Company's announcement dated 25 November 2011 and circular dated 12 December 2011. As disclosed in such announcement and circular, pursuant to a sale and purchase agreement entered into between the Group and Geely Holding on 25 November 2011, the Group increased its equity interest in Jirun Automobile from 91% to 99% after an acquisition of 8% equity interest in Jirun Automobile from Geely Holding at a consideration of RMB350,477,000. As a result of such transaction, Geely Holding's equity interest in Jirun Automobile decreased to 1% and has remained at 1% since then. Geely Holding has kept its 1% shareholding in Jirun Automobile for the purpose of maintaining strategic relationships with the Group.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Baoji Acquisition Agreement, Jirun Automobile has conditionally agreed to acquire and Baoji Geely has conditionally agreed to sell, the Baoji Purchase Shares, being the entire registered capital of the Baoji Target. Details of the Baoji Target are set out in the section headed “INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET” below.

Upon completion of the Baoji Acquisition, the Baoji Target will become a wholly-owned subsidiary of Jirun Automobile, and the financial statements of the Baoji Target will be consolidated into the financial statements of the Group.

Baoji Consideration

The Baoji Consideration is RMB702,206,798, which will be payable in cash within 60 calendar days from completion of the Baoji Acquisition and fully financed by internal resources of Jirun Automobile, which is owned as to 99% by the Company and 1% by Geely Holding. Taking into account primarily capital injections from the Group and Geely Holding in the aforesaid shareholding proportions and cashflows generated from operations, Jirun Automobile had sufficient internal resources to finance the Baoji Acquisition as at the Latest Practicable Date. The Company has no plans to inject additional capital into Jirun Automobile as at the Latest Practicable Date. The Company has not provided any capital commitments to Jirun Automobile and/or the Baoji Target.

Baoji Geely has transferred certain production machinery and equipment to the Baoji Target at depreciated book value, and has executed a capital injection agreement with the Baoji Target on 23 May 2016 to inject the Baoji Land and Buildings into the Baoji Target for manufacturing usage. With regards to the machinery and equipment being valued at depreciated book value, the Company performed due diligence on these fixed assets including carrying out physical inspection on and ascertaining the age of the fixed assets which are of higher value. As the Company did not notice any irregularities during its inspection, and acknowledged and confirmed with Baoji Geely that most of the fixed assets had an age of around one year, the Directors do not regard impairment to be a material concern and therefore consider the acquisition of these fixed assets at depreciated book value to be appropriate.

The Baoji Consideration was therefore determined after arm’s length negotiations between Jirun Automobile and Baoji Geely with reference to the net asset value of the Baoji Target prepared under the PRC GAAP as at 31 May 2016 of RMB702,206,798, which includes the aggregate book value of the Baoji Land and Buildings. For details regarding the recognition of the Baoji Land and Buildings as part of the Baoji Target’s net asset value as at 31 May 2016, please refer to the section headed “FINANCIAL INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET” below. The net assets of the Baoji Target as at 31 May 2016 mainly comprised fixed assets for manufacturing purposes (such as manufacturing plant, machinery and equipment) and land use rights relating to the Baoji Land and Buildings, and accounts payable due from the Baoji Target to Baoji Geely relating to the purchase of manufacturing machinery and equipment from Baoji Geely.

LETTER FROM THE BOARD

Status of the Baoji Land and Buildings and undertaking

As it is likely that the transfer of the legal titles of the Baoji Land and Buildings from Baoji Geely to the Baoji Target will not be completed before completion of the Baoji Acquisition due to prolonged procedural requirements in the PRC, Baoji Geely has undertaken to Jirun Automobile in the Baoji Acquisition Agreement that the legal titles of the Baoji Land and Buildings will be transferred from Baoji Geely to the Baoji Target in accordance with the applicable laws in the PRC after completion of the Baoji Acquisition on or before 31 December 2018. In the event that the aforesaid transfer of legal titles of the Baoji Land and Buildings is not completed by 31 December 2018, Baoji Geely will indemnify Jirun Automobile from any loss arising from such failure of transfer of the legal titles of the Baoji Land and Buildings to the Baoji Target, plus interests attributable to the Baoji Consideration based on an interest charge of 10% per annum.

The Company would like to highlight that the exact amount of indemnification to be provided by Baoji Geely could not be determined as at the Latest Practicable Date as the potential loss arising from the failure of transfer of legal titles will be based on the then valuation of the Baoji Target, which will be determined by an independent third party valuer, minus the economic benefits the Group will have obtained from the Baoji Target (for example, profitability generated by the Baoji Target) from completion of the Baoji Acquisition up to 31 December 2018. The amount of loss, and hence the exact amount of indemnification to be provided by Baoji Geely, will be quantified between Baoji Geely and Jirun Automobile as soon as practicable if the transfer of legal titles of the Baoji Land and Buildings still have not taken place by 31 December 2018. As the transfer of legal titles of the Baoji Land and Buildings merely represents an administrative procedure, the Company does not foresee such transfer to affect the operations of the Baoji Target.

Furthermore, 7 buildings under construction with a total gross floor area of approximately 55,872.33 sq.m. which form part of the Baoji Land and Buildings have not yet obtained the title certificates, construction planning permits and the construction commencement permits. Baoji Target is in the process of obtaining the relevant certificates and permits for such properties.

As advised by the PRC counsel, they do not foresee that there will be any material legal impediment in i) the transfer of the legal titles of the Baoji Land and Buildings from Baoji Geely to the Baoji Target; and ii) subsequently obtaining the relevant titles certificates and permits. The Company understands that the aforesaid transfer of legal titles and the obtaining of relevant certificates and permits are expected to be completed by the end of 2016.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Baoji Acquisition will be subject to and conditional upon the fulfillment of the following conditions:

- (a) Jirun Automobile being satisfied with the results of its due diligence work performed on the Baoji Target, which will include but are not limited to:
 - (i) the completion of capital injections into the Baoji Target by Baoji Geely (save for the procedural transfer of the legal titles of the Baoji Land and Buildings) in accordance with the applicable laws in the PRC;
 - (ii) the completion of transfers of the production machinery from Baoji Geely to the Baoji Target; and
 - (iii) the Baoji Target having received all required consents and approvals to carry out its principal business;
- (b) the Company having complied with the applicable requirements of the Listing Rules relating to the Baoji Acquisition, including where necessary, the obtaining of Independent Shareholders' approval on the transactions contemplated under the Baoji Acquisition Agreement;
- (c) the receipt of all consents, waivers or approvals from any government department or any persons required for or in connection with the execution, delivery and performance of the Baoji Acquisition Agreement including, but not limited to, the SAIC issuing a new business license for the Baoji Target showing Jirun Automobile as the Baoji Target's sole shareholder;
- (d) the representations and warranties made by Baoji Geely in the Baoji Acquisition Agreement remaining true and correct in all material respects, and Baoji Geely shall have fully carried out its obligations under the Baoji Acquisition Agreement; and
- (e) there being no material adverse change to factors potentially affecting the Baoji Acquisition and the completion of the Baoji Acquisition is not prohibited by applicable laws.

(a)(i) of the above conditions refers to the capital injection of the Baoji Land and Buildings into the Baoji Target by Baoji Geely. On 23 May 2016, the registered capital of the Baoji Target increased from RMB10 million to RMB700 million pursuant to the capital injection agreement between Baoji Geely and the Baoji Target. As at the Latest Practicable Date, (a) (i) (ii) and (iii) of the above conditions had been fulfilled and Jirun Automobile and Baoji Geely have no intentions to waive any of the above conditions. The Baoji Acquisition and the Shanxi Acquisition are not inter-conditional.

In the event that the conditions set out above are not fulfilled on or before the Long Stop Date, unless the Company consents to an extension in writing, any party to the Baoji Acquisition Agreement will have the right to terminate the Baoji Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the Baoji Acquisition Agreement may raise any claim against the other party

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or demand any other party to undertake any liability. All rights, obligations and liabilities under the Baoji Acquisition Agreement will become null and void upon such termination and of no further effect, save with respect to any antecedent breaches.

Completion of the Baoji Acquisition

Completion of the Baoji Acquisition will take place on the date which all the conditions to the Baoji Acquisition Agreement have been fulfilled or such other later date as the parties may agree in writing.

The Shanxi Acquisition Agreement

The principal terms of the Shanxi Acquisition Agreement are set out below:

Date

1 June 2016 (after trading hours)

Parties

Vendor: Shanxi New Energy

Purchaser: Jirun Automobile

Shanxi New Energy is principally engaged in the design, manufacturing, sales and after-sales services of automobiles related components and investment advisory services in the PRC. Jirun Automobile is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC.

Subject matter

Pursuant to the Shanxi Acquisition Agreement, Jirun Automobile has conditionally agreed to acquire and Shanxi New Energy has conditionally agreed to sell, the Shanxi Purchase Shares, being the entire registered capital of the Shanxi Target. Details of the Shanxi Target are set out in the section headed "INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET" below.

Upon completion of the Shanxi Acquisition, the Shanxi Target will become a wholly-owned subsidiary of Jirun Automobile, and the financial statements of the Shanxi Target will be consolidated into the financial statements of the Group.

Shanxi Consideration

The Shanxi Consideration is RMB720,244,135, which will be payable in cash within 60 calendar days from completion of the Shanxi Acquisition and fully financed by internal resources of Jirun Automobile, which is owned as to 99% by the Company and 1% by Geely Holding. Taking into account primarily capital injections from the Group and Geely Holding in the aforesaid shareholding proportions and cashflows generated from operations, Jirun Automobile had sufficient internal resources to finance the Shanxi

LETTER FROM THE BOARD

Acquisition as at the Latest Practicable Date. The Company has no plans to inject additional capital into Jirun Automobile as at the Latest Practicable Date. The Company has not provided any capital commitments to Jirun Automobile and/or the Shanxi Target.

Shanxi New Energy has transferred certain production machinery and equipment to the Shanxi Target at depreciated book value, and has executed a capital injection agreement with the Shanxi Target on 20 May 2016 to inject the Shanxi Land and Buildings into the Shanxi Target for manufacturing usage. With regards to the machinery and equipment being valued at depreciated book value, the Company performed due diligence on these fixed assets including carrying out physical inspection on and ascertaining the age of the fixed assets which are of higher value. As the Company did not notice any irregularities during its inspection, and acknowledged and confirmed with Shanxi New Energy that most of the fixed assets had an age of around one year, the Directors do not regard impairment to be a material concern and therefore consider the acquisition of these fixed assets at depreciated book value to be appropriate.

The Shanxi Consideration was determined after arm's length negotiations between Jirun Automobile and Shanxi New Energy with reference to the net asset value of the Shanxi Target prepared under the PRC GAAP as at 31 May 2016 of RMB720,244,135, which includes the aggregate book value of the Shanxi Land and Buildings. For details regarding the recognition of the Shanxi Land and Buildings as part of the Shanxi Target's net asset value as at 31 May 2016, please refer to the section headed "FINANCIAL INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET" below. The net assets of the Shanxi Target as at 31 May 2016 mainly comprised fixed assets for manufacturing purposes (such as manufacturing plant, machinery and equipment) and land use rights relating to the Shanxi Land and Buildings, and accounts payable due from the Shanxi Target to Shanxi New Energy relating to the purchase of manufacturing machinery and equipment from Shanxi New Energy.

Status of the Shanxi Land and Buildings and undertaking

As it is likely that the transfer of the legal titles of the Shanxi Land and Buildings from Shanxi New Energy to the Shanxi Target will not be completed before completion of the Shanxi Acquisition due to prolonged procedural requirements in the PRC, Shanxi New Energy has undertaken to Jirun Automobile in the Shanxi Acquisition Agreement that the legal titles of the Shanxi Land and Buildings will be transferred from Shanxi New Energy to the Shanxi Target in accordance with the applicable laws in the PRC after completion of the Shanxi Acquisition on or before 31 December 2020. In the event that the aforesaid transfer of legal titles of the Shanxi Land and Buildings is not completed by 31 December 2020, Shanxi New Energy will indemnify Jirun Automobile for any loss arising from such failure of transfer of the legal titles of the Shanxi Land and Buildings to the Shanxi Target, plus interests attributable to the Shanxi Consideration based on an interest charge of 10% per annum. The Company would like to highlight that the exact amount of indemnification to be provided by Shanxi New Energy could not be determined as at the Latest Practicable Date as the potential loss arising from the failure of transfer of legal titles will be based on the then valuation of the Shanxi Target, which will be determined by an independent third party valuer, minus any economic benefits the Group will have obtained from the Shanxi Target (for example, profitability generated by the Shanxi Target) from completion of the Shanxi Acquisition up to 31 December 2020. The amount of loss, and hence the exact amount of indemnification to be provided by Shanxi New Energy, will be quantified between Shanxi New Energy and Jirun Automobile as soon as practicable if the

LETTER FROM THE BOARD

transfer of legal titles of the Shanxi Land and Buildings still have not taken place by 31 December 2020. As the transfer of the legal titles of the Shanxi Land and Buildings merely represents an administrative procedure, the Company does not foresee such transfer to affect the operations of the Shanxi Target.

Furthermore, 19 completed buildings which form part of the Shanxi Land and Buildings with a total gross floor area of approximately 190,538.74 sq.m. have not yet obtained the title certificates, out of which 6 buildings with a total gross floor area of approximately 2,045.09 sq.m. have not yet obtained the construction commencement permits. 3 buildings under construction with a total gross floor area of approximately 1,494 sq.m. have not yet obtained the construction commencement permits and out of which one building under construction with a total gross floor area of approximately 524 sq.m. has not yet obtained the construction planning permit. Shanxi Target is in the process of obtaining the relevant certificates and permits for such properties.

As advised by the PRC counsel, they do not foresee that there will be any material legal impediment in i) the transfer of the legal titles of the Shanxi Land and Buildings from Shanxi New Energy to the Shanxi Target; and ii) subsequently obtaining the relevant titles certificates and permits. The Company understands that the aforesaid transfer of legal titles and the obtaining of relevant certificates and permits are expected to be completed by the end of 2016.

Conditions precedent

Completion of the Shanxi Acquisition will be subject to and conditional upon the fulfillment of the following conditions:

- (a) Jirun Automobile being satisfied with the results of its due diligence work performed on the Shanxi Target, which will include but are not limited to;
 - (i) the completion of capital injections into the Shanxi Target by Shanxi New Energy (save for the procedural transfer of legal titles of the Shanxi Land and Buildings) in accordance with the applicable laws in the PRC;
 - (ii) the completion of transfers of the production machinery from Shanxi New Energy to the Shanxi Target; and
 - (iii) the Shanxi Target having received all required consents and approvals to carry out its principal business;
- (b) the Company having complied with the applicable requirements of the Listing Rules relating to the Shanxi Acquisition, including where necessary, the obtaining of Independent Shareholders' approval on the transactions contemplated under the Shanxi Acquisition Agreement;
- (c) the receipt of all consents, waivers or approvals from any government departments or any persons required for or in connection with the execution, delivery and performance of the Shanxi Acquisition Agreement including, but not limited to, the SAIC issuing a new business license for the Shanxi Target showing Jirun Automobile as the Shanxi Target's sole shareholder;

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- (d) the representations and warranties made by Shanxi New Energy in the Shanxi Acquisition Agreement remaining true and correct in all material respects, and Shanxi New Energy shall have fully carried out its obligations under the Shanxi Acquisition Agreement; and
- (e) there being no material adverse change to factors potentially affecting the Shanxi Acquisition and the completion of the Shanxi Acquisition is not prohibited by applicable laws.

(a)(i) of the above conditions refers to the capital injection of the Shanxi Land and Buildings into the Shanxi Target by Shanxi New Energy. On 20 May 2016, the registered capital of the Shanxi Target increased from RMB10 million to RMB600 million pursuant to the capital injection agreement between Shanxi New Energy and the Shanxi Target. As at the Latest Practicable Date, (a) (i) (ii) and (iii) of the above conditions had been fulfilled and Jirun Automobile and Shanxi New Energy have no intentions to waive any of the above conditions. The Shanxi Acquisition and the Baoji Acquisition are not inter-conditional.

In the event that the conditions set out above are not fulfilled on or before the Long Stop Date, unless the Company consents to an extension in writing, any party to the Shanxi Acquisition Agreement will have the right to terminate the Shanxi Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the Shanxi Acquisition Agreement may raise any claim against the other party or demand any other party to undertake any liability. All rights, obligations and liabilities under the Shanxi Acquisition Agreement will become null and void upon such termination and of no further effect, save with respect to any antecedent breaches.

Completion of the Shanxi Acquisition

Completion of the Shanxi Acquisition will take place on the date on which all the conditions to the Shanxi Acquisition Agreement have been fulfilled or such other later date as the parties may agree in writing.

INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET

The Baoji Target is a limited liability company incorporated in the PRC on 14 April 2016. It is principally engaged in the design, production, marketing and sales of automobiles and related automobile components in the PRC.

After completion of the transfer of the Baoji Land and Buildings from Baoji Geely to the Baoji Target, the Baoji Target will hold the Baoji Manufacturing Plant, which will be its principal asset and is located at the New High-tech Industries Development Zone, Baoji City, Shaanxi Province, the PRC. Apart from the Baoji Manufacturing Plant, other assets of the Baoji Target include, among others, fixed assets (such as manufacturing machinery and equipment) and the PRC value-added tax assets. The Baoji Manufacturing Plant was established by Baoji Geely, and Baoji Geely commenced construction of the Baoji Manufacturing Plant in March 2014. Baoji Geely, instead of the Group, established the Baoji Manufacturing Plant because the establishment of the Baoji Manufacturing Plant is capital intensive and it would become a burden to the Group's financial position as it would require the Group to invest significant capital and incur operating losses on the Baoji Manufacturing Plant for years before the commencement of commercial production. Hence, Baoji Geely was effectively taking on risks by establishing the Baoji Manufacturing

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Plant first, and then agreeing to transfer the Baoji Manufacturing Plant to the Group when the Baoji Manufacturing Plant was close to being ready for commercial production. Upon establishment of the Baoji Target, the Baoji Manufacturing Plant together with other related assets, such as the land use rights relating to the Baoji Land and Buildings, and machinery and equipment, were transferred to the Baoji Target through capital injection or sale and purchase transactions by Baoji Geely to Baoji Target at their book value or the appraised market value in the case of the land use rights relating to the Baoji Land and Buildings. The appraisal of the Baoji Land and Buildings was performed by a qualified appraisal company in the PRC for the purpose of determining the market transfer price of the Baoji Land and Buildings as at 31 March 2016, which was used as a reference by the relevant tax authority in the PRC regarding the transfer of the Baoji Land and Buildings. The Company has then appointed a qualified appraisal company in Hong Kong, namely Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), to perform valuation of the Baoji Land and Buildings as at 31 May 2016 to ensure the Baoji Consideration, which is based on the net asset value of the Baoji Target as at 31 May 2016, is fair and reasonable as the Baoji Land and Buildings represent a key component of the net asset value of the Baoji Target. Please refer to Appendix I of this circular for JLL’s valuation report on the Baoji Land and Buildings. As at the Latest Practicable Date, the land use rights certificates relating to the Baoji Land and Buildings are still under the name of Baoji Geely, and it is expected that after completion of the Baoji Acquisition, relevant procedures will be followed in order for the name change of such certificates to take effect, which is expected to take place before 31 December 2018. Based on past acquisition experience and advice from the PRC counsel, the Company does not expect any material encumbrance that might be attached to the Baoji Land and Buildings, in particular relating to its right of use, before such name change takes effect.

The Baoji Manufacturing Plant will have the capability to manufacture new high-end sedan and sport utility vehicle (“SUV”) models. As at the Latest Practicable Date, the Baoji Manufacturing Plant has not yet commenced commercial production, and the Baoji Manufacturing Plant has a designed production capacity of approximately 200,000 units of vehicle per annum. The total area of the Baoji Manufacturing Plant is approximately 790,850 sq.m., and comprises 15 buildings with a total area of approximately 271,590 sq.m. and 32 structures which are still under construction. The Baoji Manufacturing Plant includes four workshops on stamping, welding, painting and assembling. The Baoji Manufacturing Plant is currently undergoing the final stages of construction in preparation for the commercial launch of new models. It is currently expected that the construction of the Baoji Manufacturing Plant will be completed by September 2016, and commercial production will commence during the third quarter of 2016. The new high-end sedan and SUV models will be owned by the Group and become part of the Group’s products offering, and as at the Latest Practicable Date, the Directors do not anticipate there will be any significant delays to the planned commercial launch of the new models.

The Shanxi Target is a limited liability company incorporated in the PRC on 19 April 2016. It is principally engaged in the design, production, marketing and sales of automobiles and related automobile components in the PRC.

After completion of the transfer of the Shanxi Land and Buildings from Shanxi New Energy to the Shanxi Target, the Shanxi Target will hold the Shanxi Manufacturing Plant, which will be its principal asset and is located at the Jinzhong City, Shanxi Province, the PRC. The Shanxi Manufacturing Plant will have the capability to manufacture new high-end sedan and mid-end to high-end electric vehicle models. Apart from the Shanxi Manufacturing Plant, other assets of the Shanxi Target include, among others, fixed assets (such as manufacturing machinery and equipment) and the PRC value-added tax assets. The Shanxi

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Manufacturing Plant was established by Shanxi New Energy, and Shanxi New Energy commenced construction of the Shanxi Manufacturing Plant in April 2012. Shanxi New Energy, instead of the Group, established the Shanxi Manufacturing Plant because the establishment of the Shanxi Manufacturing Plant is capital intensive and it would become a burden to the Group's financial position as it would require the Group to invest significant capital and incur operating losses on the Shanxi Manufacturing Plant for years before the commencement of commercial production. Hence, Shanxi New Energy was effectively taking on risks by establishing the Shanxi Manufacturing Plant first, and then agreeing to transfer the Shanxi Manufacturing Plant to the Group when the Shanxi Manufacturing Plant was close to being ready for commercial production. Upon establishment of the Shanxi Target, the Shanxi Manufacturing Plant together with other related assets, such as the land use rights relating to the Shanxi Land and Buildings, and machinery and equipment, were transferred to the Shanxi Target through capital injection or sale and purchase transactions by Shanxi New Energy to Shanxi Target at their book value or the appraised market value in the case of the land use rights relating to the Shanxi Land and Buildings. The appraisal of the Shanxi Land and Buildings was performed by a qualified appraisal company in the PRC for the purpose of determining the market transfer price of the Shanxi Land and Buildings as at 31 March 2016, which was used as a reference by the relevant tax authority in the PRC regarding the transfer of the Shanxi Land and Buildings. The Company has then appointed JLL to perform valuation of the Shanxi Land and Buildings as at 31 May 2016 to ensure the Shanxi Consideration, which is based on the net asset value of the Shanxi Target as at 31 May 2016, is fair and reasonable as the Shanxi Land and Buildings represent a key component of the net asset value of the Shanxi Target. Please refer to Appendix I of this circular for JLL's valuation report on the Shanxi Land and Buildings. As at the Latest Practicable Date, the land use rights certificates relating to the Shanxi Land and Buildings are still under the name of Shanxi New Energy, and it is expected that after completion of the Shanxi Acquisition, relevant procedures will be followed in order for the name change of such certificates to take effect, which is expected to take place before 31 December 2020. Based on past acquisition experience and advice from the PRC counsel, the Company does not expect any material encumbrance that might be attached to the Shanxi Land and Buildings, in particular relating to its right of use, before such name change takes effect.

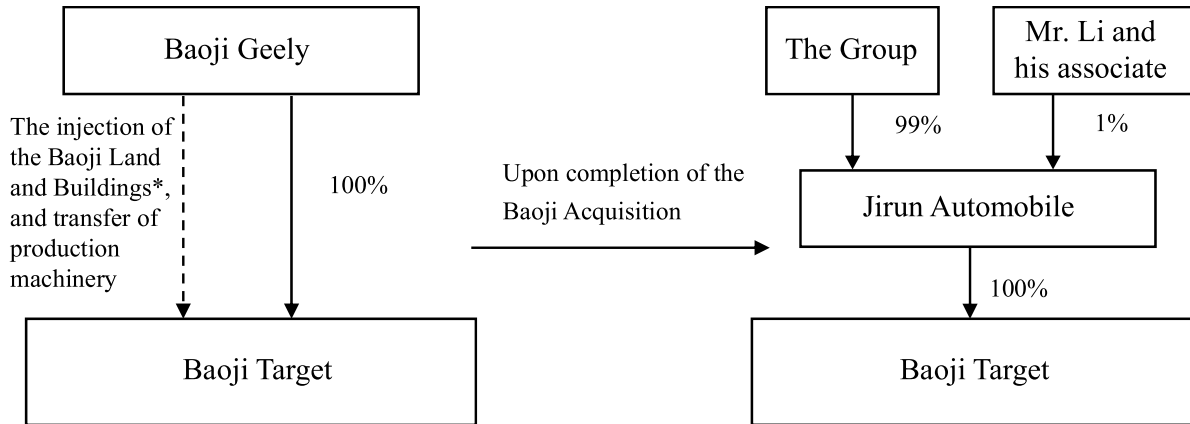
As at the Latest Practicable Date, the Shanxi Manufacturing Plant has not yet commenced commercial production, and the Shanxi Manufacturing Plant has a designed production capacity of approximately 100,000 units of vehicle per annum. The total area of the Shanxi Manufacturing Plant is approximately 733,333 sq.m., and comprises 19 buildings and various ancillary structures which were completed in various stages between 2012 and 2015, as well as 3 buildings with a total area of approximately 1,494 sq.m. and 2 structures which are still under construction. The Shanxi Manufacturing Plant includes four workshops on stamping, welding, painting and assembling. The Shanxi Manufacturing Plant is also currently undergoing the final stages of construction in preparation for the commercial launch of new models. It is currently expected that the construction of the Shanxi Manufacturing Plant will be completed by September 2016, and similar to the Baoji Manufacturing Plant, it is also expected that the commercial production will commence during the third quarter of 2016. The new high-end sedan and mid-end to high-end electric vehicle models will be owned by the Group and become part of the Group's products offering, and as at the Latest Practicable Date, the Directors do not anticipate there will be any significant delays to the planned commercial launch of the new models.

LETTER FROM THE BOARD

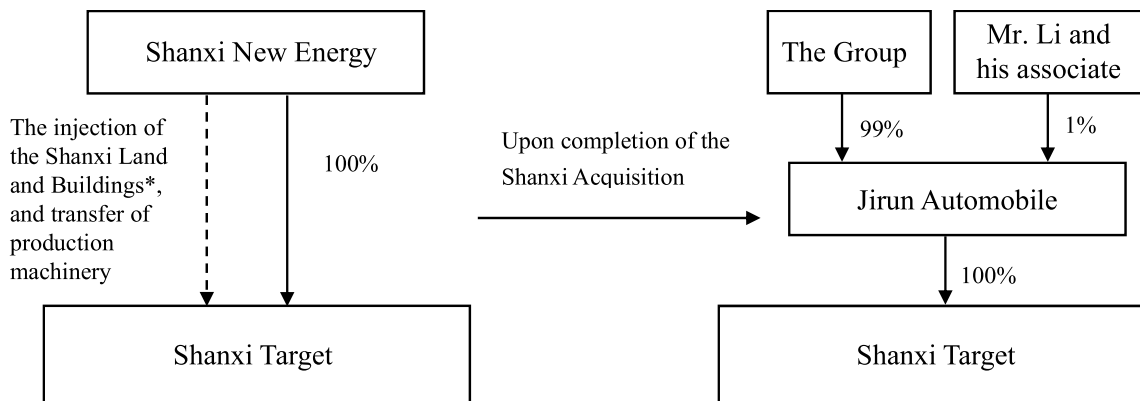
Shareholding structures of the Baoji Target and the Shanxi Target

The following diagrams set out the shareholding structures of the Baoji Target and the Shanxi Target before and upon completion of the Baoji Acquisition and the Shanxi Acquisition, respectively:

Baoji Target



Shanxi Target



* Pursuant to the Acquisition Agreements, each of Baoji Geely and Shanxi New Energy undertakes to Jirun Automobile that the respective legal titles of the Baoji Land and Buildings and the Shanxi Land and Buildings will be successfully transferred from each of Baoji Geely and Shanxi New Energy to the Baoji Target and the Shanxi Target respectively in accordance with the applicable laws in the PRC after completion of the respective Acquisitions.

LETTER FROM THE BOARD

FINANCIAL INFORMATION ON THE BAOJI TARGET AND SHANXI TARGET

The unaudited financial statements of the Baoji Target and the Shanxi Target are prepared under the same accounting policies adopted by the Group. Set out below is the unaudited financial information of the Baoji Target and the Shanxi Target from their respective date of incorporation up to 31 May 2016 prepared under the PRC GAAP:

	From date of incorporation up to 31 May 2016
Baoji Target	
Revenue	Nil
Loss before and after taxation	RMB1,050,302
	From date of incorporation up to 31 May 2016
Shanxi Target	
Revenue	Nil
Loss before and after taxation	RMB558,365

Although the transfer of legal titles of the Baoji Land and Buildings and the Shanxi Land and Buildings have not yet been completed as at 31 May 2016, as the relevant capital injection agreements have been executed between Baoji Geely and the Baoji Target on 23 May 2016 in relation to the Baoji Land and Buildings, and between Shanxi New Energy and the Shanxi Target on 20 May 2016 in relation to the Shanxi Land and Buildings, according to PRC GAAP, the outstanding administrative transfer procedures in respect of the transfer of legal titles of the aforesaid land and buildings will not preclude the Baoji Target and the Shanxi Target from claiming ownership over the Baoji Land and Buildings and the Shanxi Land and Buildings, respectively. As such, the Baoji Target and the Shanxi Target were able to recognise the Baoji Land and Buildings and the Shanxi Land and Buildings as part of their respective net asset values as at 31 May 2016. The latest respective business licenses of the Baoji Target and the Shanxi Target issued by the SAIC have also been updated to reflect the increased registered capital.

As at 31 May 2016, the Baoji Target had net asset values of RMB702,206,798. The net assets of the Baoji Target as at 31 May 2016 comprised total assets of approximately RMB1,682.2 million and total liabilities of approximately RMB980.0 million. Total assets mainly comprised fixed assets for manufacturing purposes (such as manufacturing plant, machinery and equipment) of approximately RMB1,482.3 million (such value is accounted for under cost basis minus subsequent depreciation) and land use rights relating to the Baoji Land and Buildings of approximately RMB189.8 million (such value is based on its appraised value prepared by an appraiser in the PRC as at 31 March 2016 minus subsequent amortisations). Total liabilities mainly comprised accounts payable of approximately RMB1,173.5 million which represented payables to Baoji Geely, which arose from the acquisition of machinery and equipment from Baoji Geely.

As at 31 May 2016, the Shanxi Target had net asset values of RMB720,244,135. The net assets of the Shanxi Target as at 31 May 2016 comprised total assets of approximately RMB1,259.1 million and total liabilities of approximately RMB538.9 million. Total assets mainly comprised fixed assets for manufacturing purposes (such as manufacturing plant, machinery and equipment) of approximately RMB1,025.1 million (such value is accounted for under cost basis minus subsequent depreciation) and land use rights relating to

LETTER FROM THE BOARD

the Baoji Land and Buildings of approximately RMB224.0 million (such value is based on its appraised value prepared by an appraiser in the PRC as at 31 March 2016 minus subsequent amortisations). Total liabilities mainly comprised other accounts payable of approximately RMB659.9 million which represented payables to Shanxi New Energy, which arose from the acquisition of machinery and equipment from Shanxi New Energy.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in the research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding. The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

As disclosed in the Company's annual report for the year ended 31 December 2015, the Group planned to launch brand new models of SUVs, including mid-size and compact SUVs, in 2016. The Baoji Acquisition and the Shanxi Acquisition are therefore consistent with the Group's plans and strategies to deliver the aforesaid brand new models in 2016. Even though the Baoji Manufacturing Plant and the Shanxi Manufacturing Plant have not yet commenced operations, given the long-term relationship and trust between Geely Holding and the Company and the fact that it may not be easy to identify an independent well-established manufacturing company in the market that complements well with the plans and strategies of the Group, the Directors consider that the Acquisitions will be beneficial to the Company and its Shareholders. The Directors acknowledge that certain PRC regulatory procedures (including the obtaining of relevant certificates and permits, and the transfer of legal titles of certain land and buildings) have not yet been completed, and therefore have directed the Company to seek for an independent legal opinion from a PRC counsel in relation to potential legal impediments arising from the aforesaid PRC regulatory procedures, as well as to agree on an indemnity clause with the counter-parties which will financially protect the Company and its Shareholders in the scenario the transfer of legal titles of certain land and buildings cannot be completed for Baoji Land and Buildings and Shanxi Land and Buildings by 31 December 2018 and 2020, respectively.

The Directors consider that the Acquisitions will provide an opportunity for the Group to expand its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhance its production capabilities for the manufacture of new high-end sedan, SUV and mid-end to high-end electric vehicle models as the Group's existing manufacturing plants do not have the required production capabilities to manufacture these new models. The Baoji Manufacturing Plant will primarily manufacture new high-end sedan and SUV models, and the Shanxi Manufacturing Plant will primarily manufacture new high-end sedan and mid-end to high-end electric vehicle models. It is anticipated that after completion of the Acquisitions, the launch of these new models will expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market and become one of the key drivers for future profitability. It is currently expected that the commercial production of these new models by the Baoji Manufacturing Plant and the Shanxi Manufacturing Plant will commence during the third quarter of 2016.

The Directors consider that the Acquisitions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Baoji Geely and Shanxi New Energy are wholly-owned subsidiaries of Zhejiang Haoqing, which is ultimately beneficially wholly-owned by Mr. Li and his associate. As such, Baoji Geely and Shanxi New Energy is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 42.98% of the total issued share capital of the Company as at the Latest Practicable Date, and a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one of the applicable aggregated percentage ratios in respect of the Acquisitions is more than 5%, the Acquisitions are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Furthermore, as one of the applicable aggregated percentage ratios in respect of the Acquisitions is more than 5% but less than 25%, the Acquisitions constitute discloseable transactions for 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 Acquisitions 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 Acquisitions. Also, Mr. Li Dong Hui, Daniel, an executive Director, is considered to have material interest in the Acquisitions by virtue of his directorship in Geely Holding as at the Latest Practicable Date. Furthermore, pursuant to Rule 14A.36 of the Listing Rules, any connected person of the Company with a material interest in the Acquisitions, and any Shareholder with a material interest in the Acquisitions and its associates, will not vote in the EGM. As Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates are considered to have material interests in the Acquisitions as at the Latest Practicable Date, they will abstain from voting on the resolution to approve the Acquisition Agreements to be put forward at the EGM. 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.

THE EGM

The EGM will be convened to approve the Acquisitions. A notice to convene the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Monday, 8 August 2016 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 the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Acquisitions are fair and reasonable and in the interest of the Company and Independent Shareholders and the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisitions has been set out on page 22 of this circular. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Acquisition Agreements and the letter of advice from Gram Capital containing its advice in respect of the terms of the Acquisition Agreements has been set out on pages 23 to 36 of this circular.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to Independent Shareholders set out on page 22 of this circular and the letter from Gram Capital on pages 23 to 36 regarding the Acquisitions and the principal factors and reasons taken into consideration in arriving at the advice.

The Directors, including the independent non-executive Directors, consider that the Acquisitions are in the ordinary and usual course of business of the Group, and the terms of the Acquisition Agreements 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 Acquisition Agreements. You are advised to read the letter from the Independent Board Committee and the letter from Gram Capital mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Gram Capital, which are respectively set out on page 22 and pages 23 to 36 of this circular. Additional information is also set out in the appendices 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 Independent Shareholders in relation to the Acquisitions 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 Cayman Islands with limited liability)

(Stock code: 175)

21 July 2016

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE BAOJI TARGET AND THE SHANXI TARGET

We refer to the circular dated 21 July 2016 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Acquisition Agreements. Gram Capital has been appointed to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 23 to 36 of this circular. Your attention is also drawn to the “Letter from the Board” in this circular and the additional information set out in the appendices thereto.

Having taken into account of the advice of Gram Capital, in particular factors, reasons and recommendation as set out in its letter, we consider that: (i) the Acquisitions are on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the Acquisition Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the entering into of the Acquisition Agreements is in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolutions.

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. An Qing Heng

Mr. Wang Yang

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 July 2016

*To: The independent board committee and the independent shareholders
of Geely Automobile Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE BAOJI TARGET AND THE SHANXI TARGET

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders (the “**Independent Shareholders**”) in respect of the Acquisitions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 July 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 June 2016 (after trading hours), Jirun Automobile (being the purchaser), a 99% owned subsidiary of the Company, and Baoji Geely (being the vendor) entered into the Baoji Acquisition Agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and Baoji Geely has conditionally agreed to sell, the Baoji Purchase Shares, being the entire registered capital of the Baoji Target, for RMB702,206,798.

On the even date, Jirun Automobile (being the purchaser) and Shanxi New Energy (being the vendor) entered into the Shanxi Acquisition Agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and Shanxi New Energy has conditionally agreed to sell, the Shanxi Purchase Shares, being the entire registered capital of the Shanxi Target, for RMB720,244,135.

With reference to the Board Letter, the Acquisitions constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively. As such, the Acquisitions are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Baoji Acquisition Agreement and the Shanxi Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisitions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Baoji Acquisition Agreement, the Shanxi Acquisition Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisitions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Baoji Target and the Shanxi Target, and we have not been furnished with any such evaluation or appraisal, save and except for the property valuation report of the Baoji Land and Buildings and the Shanxi Land and Buildings (the "**Valuation Report**") as set out in Appendix I to the Circular. The Valuation Report was prepared by JLL. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the market value of the Baoji Target and the Shanxi Target as at 31 May 2016.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Jirun Automobile, Baoji Geely, Shanxi New Energy, Baoji Target, Shanxi Target or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisitions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisitions

Business overview of the Group

The Group is principally engaged in the research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding. The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

Set out below are the audited consolidated financial results of the Group for the two years ended 31 December 2015 as extracted from the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report"):

	For the year ended 31 December 2015	For the year ended 31 December 2014	Year on year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	30,138,256	21,738,358	38.64
Gross profit	5,470,653	3,962,635	38.06
Profit for the year	2,288,662	1,449,128	57.93

LETTER FROM GRAM CAPITAL

As depicted by the above table, the Group recorded a significant increase in revenue of approximately 38.64% for the year ended 31 December 2015 (“FY2015”) as compared to the year ended 31 December 2014 (“FY2014”). The Group’s gross profit and profit for the year also recorded substantial increase from FY2014 to FY2015. With reference to the 2015 Annual Report, the aforesaid improvements were mainly due to the increase in overall sales volume, higher average selling price and stable profit margin.

With reference to the 2015 Annual Report and as confirmed by the Directors, the Group plans to offer more energy-efficient solutions to its consumers such as plug-in hybrid electric vehicles and petro hybrid electric vehicles, and will continue to offer high-performance turbocharged engines for more of its models, thus strengthening the Group’s product line and enhancing the competitiveness of its products. The Group will also continue to replace its old models with more sophisticated new models equipped with more advanced powertrain technologies. New products should continue to support the Group’s overall sales volume growth in 2016. Further, the shift of preference on vehicle procurement by the PRC Government towards more indigenous brand products should provide additional opportunities for the Group to further expand its sales.

Information on the Baoji Target and the Shanxi Target

Principal businesses of the Baoji Target and the Shanxi Target

As referred to in the Board Letter, the Baoji Target is a limited liability company incorporated in the PRC on 14 April 2016. It is principally engaged in the design, production, marketing and sales of automobiles and related automobile components in the PRC.

After completion of the transfer of the Baoji Land and Buildings from Baoji Geely to the Baoji Target, the Baoji Target will hold the Baoji Manufacturing Plant, which will be its principal asset and is located at the New High-tech Industries Development Zone, Baoji City, Shaanxi Province, the PRC.

The Baoji Manufacturing Plant will have the capability to manufacture new high-end sedan and SUV models. As at the Latest Practicable Date, the Baoji Manufacturing Plant has not yet commenced commercial production, and the Baoji Manufacturing Plant has a designed production capacity of approximately 200,000 units of vehicle per annum. The total area of the Baoji Manufacturing Plant is approximately 790,850 sq.m., and comprises 15 buildings with a total area of approximately 271,590 sq.m. and 32 structures which are still under construction. The Baoji Manufacturing Plant includes four workshops on stamping, welding, painting and assembling. The Baoji Manufacturing Plant is currently undergoing the final stages of construction in preparation for the commercial launch of new models. It is currently expected that the construction of the Baoji Manufacturing Plant will be completed by September 2016, and commercial production will commence during the third quarter of 2016.

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For our due diligence purpose, we have discussed the above construction and production schedule and capacity with the management of the Company. During our discussion, we have enquired into, considered and understood the basis of the construction and production schedule (including the designed production capacity). During the course of our discussion, nothing had come to our attention which caused us to doubt the above construction and production schedule.

As referred to in the Board Letter, the Shanxi Target is a limited liability company incorporated in the PRC on 19 April 2016. It is principally engaged in the design, production, marketing and sales of automobiles and related automobile components in the PRC.

After completion of the transfer of the Shanxi Land and Buildings from Shanxi New Energy to the Shanxi Target, the Shanxi Target will hold the Shanxi Manufacturing Plant, which will be its principal asset and is located at the Jinzhong City, Shanxi Province, the PRC. The Shanxi Manufacturing Plan will have the capability to manufacture new high-end sedan and mid-end to high-end electric vehicle models.

As at the Latest Practicable Date, the Shanxi Manufacturing Plant has not yet commenced commercial production, and the Shanxi Manufacturing Plant has a designed production capacity of approximately 100,000 units of vehicle per annum. The total area of the Shanxi Manufacturing Plant is approximately 733,333.34 sq.m. and comprises 19 buildings and various ancillary structures which were completed in various stages between 2012 and 2015, as well as 3 buildings with a total area of approximately 1,494 sq.m. and 2 structures which are still under construction. The Shanxi Manufacturing Plant includes four workshops on stamping, welding, painting and assembling. The Shanxi Manufacturing Plant is also currently undergoing the final stages of construction in preparation for the commercial launch of new models. It is currently expected that the construction of the Shanxi Manufacturing Plant will be completed by September 2016, and similar to Baoji Manufacturing Plant, it is also expected that the commercial production will commence during the third quarter of 2016.

For our due diligence purpose, we have discussed the above construction and production schedule and capacity with the management of the Company. During our discussion, we have enquired into, considered and understood the basis of the construction and production schedule (including the designed production capacity). During the course of our discussion, nothing had come to our attention which caused us to doubt the above construction and production schedule.

Financial information on the Baoji Target and the Shanxi Target

Set out below is the unaudited financial information of the Baoji Target from its date of incorporation up to 31 May 2016 prepared under the PRC GAAP as extracted from the Board Letter:

Baoji Target	From date of incorporation up to 31 May 2016
Revenue	Nil
Loss before and after taxation	RMB1,050,302

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The unaudited net asset value of the Baoji Target as at 31 May 2016 amounted to approximately RMB702,206,798. As advised by the Directors, the total assets of the Baoji Target include, amongst others, the Baoji Land and Buildings and their related land use rights with an aggregated book value of approximately RMB669.24 million (“**Baoji Land and Buildings Book Value**”).

Set out below is the unaudited financial information of the Shanxi Target from its date of incorporation up to 31 May 2016 prepared under the PRC GAAP as extracted from the Board Letter:

Shanxi Target	From date of incorporation up to 31 May 2016
Revenue	Nil
Loss before and after taxation	RMB558,365

The unaudited net asset value of the Shanxi Target as at 31 May 2016 amounted to approximately RMB720,244,135. As advised by the Directors, the total assets of the Shanxi Target include, amongst others, the Shanxi Land and Buildings and their related land use rights with an aggregated book value of approximately RMB685.12 million (“**Shanxi Land and Buildings Book Value**”).

Reasons for and benefits of the Acquisitions

As disclosed in the Company’s annual report for the year ended 31 December 2015, the Group planned to launch brand new models of SUVs, including mid-size and compact SUVs, in 2016. According to the Board Letter, the Baoji Acquisition and the Shanxi Acquisition are therefore consistent with the Group’s plans and strategies to deliver the aforesaid brand new models in 2016. Even though the Baoji Manufacturing Plant and the Shanxi Manufacturing Plant have not yet commenced operations, given the long-term relationship and trust between Geely Holding and the Company and the fact that it may not be easy to identify an independent well-established manufacturing company in the market that complements well with the plans and strategies of the Group, we concur with the Directors’ view that the Acquisitions will be beneficial to the Company and its Shareholders. The Directors acknowledge that certain PRC regulatory procedures (including the obtaining of relevant license and permits, and the transfer of legal titles of certain land and buildings) have not yet been completed, and therefore have directed the Company to seek for an independent legal opinion from a PRC counsel in relation to potential legal impediments arising from the aforesaid PRC regulatory procedures, as well as to agree on an indemnity clause with the counterparties which will financially protect the Company and its Shareholders in the scenario the transfer of legal titles of certain land and buildings cannot be completed for Baoji Land and Buildings and Shanxi Land and Buildings by 31 December 2018 and 2020, respectively.

With reference to the Board Letter, the Acquisitions will provide an opportunity for the Group to expand its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhance its production capabilities for the manufacture of new high-end sedan, SUV and mid-end to high-end electric vehicle models as the Group’s existing manufacturing plants do not have the required production capabilities to manufacture these new models. The Baoji Manufacturing Plant will primarily manufacture new high-end sedan and SUV models, and the Shanxi Manufacturing Plant

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will primarily manufacture new high-end sedan and mid-end to high-end electric vehicle models. It is anticipated that after completion of the Acquisitions, the launch of these new models will expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market and become one of the key drivers for future profitability. It is currently expected that the commercial production of these new models by the Shanxi Manufacturing Plant and the Baoji Manufacturing Plant will commence during the third quarter of 2016.

With reference to the China Association of Automobile Manufacturers, for the four months ended 30 April 2016, the production and sales of passenger cars were 7,537,000 and 7,448,000 units respectively, representing an increase of approximately 6.6% and 6.7% on a year on year basis. For the four months ended 30 April 2016, the accumulated sales of Chinese brand passenger cars reached 3,301,000 units, representing an increase of approximately 10.5% on a year on year basis. The market share of Chinese brand passenger cars increased approximately 1.5 percentage points than the previous year, reaching approximately 44.3%. Having taken into account the above statistics and as confirmed by the Directors, the prospects of the passenger cars market are generally positive.

In view of the foregoing reasons for the Acquisitions, in particular (i) that the Acquisitions can expand the Group's manufacturing capacity and enhance the Group's production capabilities for the manufacture of new models; (ii) the generally positive prospects of the passenger cars market; (iii) it may not be easy to identify an independent well-established manufacturing company in the market that complements well with the plans and strategies of the Group; and (iv) the Company can be safeguarded by the vendors' undertakings from the risk of failure of transfer of the legal titles of the relevant land and buildings, we concur with the Directors that the Acquisitions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Acquisition Agreements

The Baoji Acquisition Agreement

The principal terms of the Baoji Acquisition Agreement are set out below:

Date

1 June 2016

Parties

Vendor: Baoji Geely

Purchaser: Jirun Automobile

Baoji Consideration

The Baoji Consideration is RMB702,206,798, which will be payable in cash within 60 calendar days from completion of the Baoji Acquisition.

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Baoji Geely has transferred certain production machinery to the Baoji Target, and will be injecting the Baoji Land and Buildings into the Baoji Target by way of capital injection for manufacturing usage. The Baoji Consideration was therefore determined after arm's length negotiations between Jirun Automobile and Baoji Geely with reference to the net asset value of the Baoji Target prepared under the PRC GAAP as at 31 May 2016 of RMB702,206,798, which includes the Baoji Land and Buildings Book Value of approximately RMB669.24 million.

Valuation

The Company has appointed a qualified appraisal company in Hong Kong, namely JLL, to perform valuation of the Baoji Land and Buildings as at 31 May 2016 to ensure the Baoji Consideration, which is based on the net asset value of the Baoji Target as at 31 May 2016, is fair and reasonable as the Baoji Land and Buildings represent a key component of the net asset value of the Baoji Target.

According to the Valuation Report and as confirmed by JLL, the market value of the Baoji Land and Buildings was RMB613,732,000 (the "**Baoji Valuation**") as at 31 May 2016. In the valuation of the Baoji Land and Buildings, JLL has been provided with a PRC legal opinion regarding the interest of the Baoji Land and Buildings (the "**Baoji PRC Legal Opinion**") and attributed no commercial value to the buildings of the Baoji Land and Buildings which have not obtained any construction permits (the "**Baoji Properties Without Title**"). However, for reference purpose, JLL is of the opinion that the depreciated replacement cost of them (excluding land element) as at 31 May 2016 would be RMB86,156,000 (the "**Baoji Reference Value**") assuming all relevant construction permits had been obtained and they could be freely transferred. According to the Baoji PRC Legal Opinion and as confirmed by the PRC counsel of the Company, the PRC counsel of the Company does not foresee that there will be any material legal impediment in obtaining relevant title documents of the Baoji Properties Without Title by the Baoji Target.

Based on the above, the sum of the Baoji Valuation and the Baoji Reference Value exceeds the Baoji Land and Buildings Book Value.

We have reviewed the Valuation Report and discussed with JLL regarding the methodology adopted and the basis and assumptions used in the Valuation Report. In the course of our discussion, we noted that JLL carried out an inspection of the Baoji Land and Buildings in April 2016. Based on the Valuation Report, in valuing the Baoji Land and Buildings which was under construction as at the valuation date, JLL has applied the cost approach by taking into account the market value for the existing use of the land, plus the construction cost, professional fees and relevant interests accordingly to the stage of construction as at the valuation date. In arriving at the value of the land portion of the Baoji Land and Buildings, reference have been made to the sales evidence as available in the locality. As further confirmed by JLL, the cost approach is commonly adopted for valuation of properties in the PRC and is also consistent with normal market practice.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of JLL with the Company; (ii) JLL's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by JLL for conducting the valuation of the Baoji Land and Buildings (including (a) inspection of the exterior

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and, where possible, the interior of the properties; (b) making relevant enquiries on copies of various title documents relating to the property interest which were shown to JLL; and (c) examination of original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment). From the mandate letter and other relevant information provided by JLL and based on our interview with it, we are satisfied with the terms of engagement of JLL as well as its qualification and experience for preparation of the Valuation Report. JLL has also confirmed that it is independent from the Group and the parties to the Acquisition Agreements.

Further details of the basis and assumptions of the Valuation Report are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with JLL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the valuation methodology (i.e. the cost approach), the principal basis and assumptions adopted for or the information used in the Valuation Report. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Baoji Valuation and the Baoji Reference Value may or may not reflect the true value of the Baoji Land and Buildings accurately.

Trading multiples analysis

Commonly adopted price multiples analysis include the price to book ratio (“**PBR**”) and the price to earnings ratio (“**PER**”). Given that the Baoji Target has not generated any revenue or profit since incorporation, we consider the PER analysis to be impractical. For the purpose of assessing the fairness and reasonableness of the Baoji Consideration, we have performed the PBR analysis. We have searched for companies listed on the Stock Exchange which are engaged in similar line of business as the Baoji Target, being the manufacturing and sales of automobiles and related automobile components (for details, please refer to the below table) and derive a majority of their turnover from such business based on their respective latest published financial information (the “**Selection Criteria**”), (the “**Market Comparables**”) for comparison. To the best of our knowledge and endeavour, we found 7 listed companies which met the Selection Criteria and they are exhaustive as far as we are aware of. We have not subjectively excluded any Market Comparables which met the Selection Criteria. Given that setting additional selection criteria (such as place of operation, history of operation and size of the Market Comparables) will narrow down the number of Market Comparables, we have not set the aforesaid additional selection criteria for our analysis. Shareholders should note that the businesses, operations and prospects of the Baoji Target are not the same as the Market Comparables.

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Set out below are the PBRs of the Market Comparables based on their closing prices as at 1 June 2016, being the date of the Acquisition Agreements (the “**Agreements Date**”), and their latest published financial information:

Company name (Stock code)	Principal business	Year-end date	PBR (times) (Note 1)	Percentage of revenue from the manufacturing and sales of automobiles and related automobile components (Note 2)
Vietnam Manufacturing and Export Processing (Holdings) Limited (422)	Manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.	31 December 2015	0.35	99.95%
Dongfeng Motor Group Company Limited (489)	Manufacture and sale of commercial vehicles, passenger vehicles, engines and auto parts, manufacture of vehicle manufacturing equipment, also import/export business, finance business, insurance agency business and used car business.	31 December 2015	0.69	98.53%
Brilliance China Automotive Holdings Limited (1114)	Manufacture and sale of BMW vehicles in the PRC, manufacture and sale of minibuses and automotive components.	31 December 2015	1.70	100%
Yadea Group Holdings Limited (1585)	Designing, researching, developing, manufacturing and selling electric two-wheeled vehicles, which include electric scooters and electric bicycles.	31 December 2015	4.48	100%
BAIC Motor Corporation Limited (1958)	Manufacturing and sales of passenger vehicles, engines and auto parts in the PRC.	31 December 2015	0.73	100%
Guangzhou Automobile Group Company Limited (2238)	Manufacturing and sales of passenger vehicles, commercial vehicles, engines and automotive parts.	31 December 2015	1.25	96.28%
Great Wall Motor Company Limited (2333)	Manufacturing and sales of automobiles and components and parts of automobiles and related after-sales services, processing and manufacturing of moulds, repairing of automobiles, transportation of general goods and specific transportation.	31 December 2015	1.27	100%
			Maximum	4.48
			Minimum	0.35
			Average	1.49
Baoji Acquisition (Note 3)			1.00	
Shanxi Acquisition (Note 3)			1.00	

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Notes:

1. The PBRs of the Market Comparables were calculated based on their respective latest published annual results.
2. Revenue of Market Comparables were based on their respective latest published annual results.
3. The implied PBRs of the Acquisitions were calculated based on (i) the Baoji Consideration and the net asset value of the Baoji Target as at 31 May 2016; and (ii) the Shanxi Consideration and the net asset value of the Shanxi Target as at 31 May 2016.

We noticed from the above table that the PBRs of the Market Comparables ranged from approximately 0.35 times to 4.48 times, with an average of approximately 1.49 times. The implied PBR of the Baoji Acquisition is within the said PBR range of the Market Comparables.

Having considered the above, we are of the view that the Baoji Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Status of the Baoji Land and Buildings and undertaking

As it is likely that the transfer of the legal titles of the Baoji Land and Buildings from Baoji Geely to the Baoji Target will not be completed before completion of the Baoji Acquisition due to prolonged procedural requirements in the PRC, Baoji Geely has undertaken to Jirun Automobile in the Baoji Acquisition Agreement that the legal titles of the Baoji Land and Buildings will be transferred from Baoji Geely to the Baoji Target in accordance with the applicable laws in the PRC after completion of the Baoji Acquisition on or before 31 December 2018. In the event that the aforesaid transfer of legal titles of the Baoji Land and Buildings is not completed by 31 December 2018, Baoji Geely will indemnify Jirun Automobile from any loss arising from such failure of transfer of the legal titles of the Baoji Land and Buildings to the Baoji Target, plus interests attributable to the Baoji Consideration based on an interest charge of 10% per annum.

We consider the above provision can safeguard the Company from the risk of failure of transfer of the legal titles of the Baoji Land and Buildings to the Baoji Target.

In light of the above, we are of the view that the terms of the Baoji Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Shanxi Acquisition Agreement

The principal terms of the Shanxi Acquisition Agreement are set out below:

Date

1 June 2016

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Parties

Vendor: Shanxi New Energy

Purchaser: Jirun Automobile

Shanxi Consideration

The Shanxi Consideration is RMB720,244,135, which will be payable in cash within 60 calendar days from completion of the Shanxi Acquisition.

Shanxi New Energy has transferred certain production machinery to the Shanxi Target, and will be injecting the Shanxi Land and Buildings into the Shanxi Target by way of capital injection for manufacturing usage. The Shanxi Consideration was determined after arm's length negotiations between Jirun Automobile and Shanxi New Energy with reference to the net asset value of the Shanxi Target prepared under the PRC GAAP as at 31 May 2016 of RMB720,244,135, which includes the Shanxi Land and Buildings Book Value of approximately RMB685.12 million.

Valuation

The Company has appointed JLL to perform valuation of the Shanxi Land and Buildings as at 31 May 2016 to ensure the Shanxi Consideration, which is based on the net asset value of the Shanxi Target as at 31 May 2016, is fair and reasonable as the Shanxi Land and Buildings represent a key component of the net asset value of the Shanxi Target.

According to the Valuation Report and as confirmed by JLL, the market value of the Shanxi Land and Buildings was RMB371,932,000 (the "**Shanxi Valuation**") as at 31 May 2016. In the valuation of the Shanxi Land and Buildings, JLL has been provided with a PRC legal opinion regarding the interest of the Shanxi Land and Buildings (the "**Shanxi PRC Legal Opinion**") and attributed no commercial value to the buildings of the Shanxi Land and Buildings which are in lack of proper title certificates or construction permits (the "**Shanxi Properties Without Title**"). However, for reference purpose, JLL is of the opinion that the depreciated replacement cost of them (excluding land element) as at 31 May 2016 would be RMB338,375,000 (the "**Shanxi Reference Value**") assuming all relevant title certificates had been obtained and they could be freely transferred. According to the Shanxi PRC Legal Opinion and as confirmed by the PRC counsel of the Company, the PRC counsel of the Company does not foresee that there will be any material legal impediment in obtaining relevant title documents of the Shanxi Properties Without Title by the Shanxi Target.

Based on the above, the sum of the Shanxi Valuation and the Shanxi Reference Value exceeds the Shanxi Land and Buildings Book Value.

We have reviewed the Valuation Report and discussed with JLL regarding the methodology adopted and the basis and assumptions used in the Valuation Report. In the course of our discussion, we noted that JLL carried out an inspection of the Shanxi Land and Buildings in April 2016. Based on the Valuation Report, due to the nature of the buildings and structures of the property under the Shanxi Land and Buildings and the particular location in which it is situated, there are unlikely to be

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relevant market comparable sales readily available, the relevant property interest has been valued by the cost approach with reference to its depreciated replacement cost. In arriving at the value of the land portion of the Shanxi Land and Buildings, reference have been made to the sales evidence as available in the locality. As further confirmed by JLL, the cost approach is commonly adopted for valuation of properties in the PRC and is also consistent with normal market practice.

For our due diligence purpose, we have enquired into the steps and due diligence measures taken by JLL for conducting the valuation of the Shanxi Land and Buildings (including (a) inspection of the exterior and, where possible, the interior of the properties; (b) making relevant enquiries on copies of various title documents relating to the property interest which were shown to JLL; and (c) examination of original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment).

Further details of the basis and assumptions of the Valuation Report are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with JLL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the valuation methodology (i.e. the cost approach), the principal basis and assumptions adopted for or the information used in the Valuation Report. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Shanxi Valuation and the Shanxi Reference Value may or may not reflect the true value of the Shanxi Land and Buildings accurately.

Trading multiples analysis

Given that the Shanxi Target has not generated any revenue or profit since incorporation, we consider the PER analysis to be impractical. For the purpose of assessing the fairness and reasonableness of the Shanxi Consideration, we have performed the PBR analysis as aforementioned. We noticed that the implied PBR of the Shanxi Acquisition is within the PBR range of the Market Comparables.

Having considered the above, we are of the view that the Shanxi Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Status of the Shanxi Land and Buildings and undertaking

As it is likely that the transfer of the legal titles of the Shanxi Land and Buildings from Shanxi New Energy to the Shanxi Target will not be completed before completion of the Shanxi Acquisition due to prolonged procedural requirements in the PRC, Shanxi New Energy has undertaken to Jirun Automobile in the Shanxi Acquisition Agreement that the legal titles of the Shanxi Land and Buildings will be transferred from Shanxi New Energy to the Shanxi Target in accordance with the applicable laws in the PRC after completion of the Shanxi Acquisition on or before 31 December 2020. In the event that the aforesaid transfer of legal titles of the Shanxi Land and Buildings is not completed by 31 December 2020, Shanxi New Energy will indemnify Jirun Automobile for any loss arising from such failure of transfer of the legal titles of the Shanxi Land and Buildings to the Shanxi Target, plus interests attributable to the Shanxi Consideration based on an interest charge of 10% per annum.

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We consider the above provision can safeguard the Company from the risk of failure of transfer of the legal titles of the Shanxi Land and Buildings to the Shanxi Target.

In light of the above, we are of the view that the terms of the Shanxi Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Acquisitions

As confirmed by the Directors, upon completion of the Acquisitions, the financial results of the Baoji Target and the Shanxi Target will be consolidated and accounted for as subsidiaries of the Company.

Based on the 2015 Annual Report, the audited consolidated net asset value (“NAV”) of the Group was approximately RMB19.74 billion as at 31 December 2015. As confirmed by the Directors, the Acquisitions would have no material impact on the NAV of the Group.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisitions.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisitions are in the ordinary and usual course of business of Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 May 2016 of the property interests to be acquired by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

21 July 2016

The Board of Directors
Geely Automobile Holdings Limited
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Pursuant to two acquisition agreements, Zhejiang Jirun Automobile Company Limited (“**Jirun Automobile**”), a 99% interest owned subsidiary of Geely Automobile Holdings Limited (the “**Company**”), has conditionally agreed to acquire the entire registered capitals of Baoji Geely Automobile Components Company Limited (“**Baoji Target**”) and Shanxi Geely Automobile Components Company Limited (“**Shanxi Target**”) from Baoji Geely Automobile Company Limited (“**Baoji Geely**”) and Shanxi New Energy Automobile Industrial Company Limited (“**Shanxi New Energy**”) respectively.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) is instructed to provide valuation service on the properties in which Baoji Target and Shanxi Target have interests for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 May 2016 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the buildings and structures of the property in Group I and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interest has been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property in Group II which was under construction as at the valuation date, we also have applied the Cost Approach by taking into account the market value for the existing use of the land, plus the construction cost, professional fees and relevant interests accordingly to the stage of the construction as at the valuation date.

In arriving at the values of the land portion of the properties in Group I and Group II, reference have been made to the sales evidence as available in the locality.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by Baoji Target and Shanxi Target, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including the State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the PRC legal advisers – Zhejiang Xingtao Law Firm, concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by Baoji Target and Shanxi Target. We have also sought confirmation from Baoji Target and Shanxi Target that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out from 6 April to 8 April 2016 by Mr. Larry Li and Ms. Gloria Wang. Ms. Gloria Wang is a qualified China Real Estate Appraiser who has 9 years of property valuation experience in the PRC and Mr. Larry Li has 9 years' experience in property valuation in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held and occupied by Shanxi Target in the PRC

No.	Property	Market value in existing state as at 31 May 2016 <i>RMB</i>
1.	An industrial complex No.369 Guangan East Street Yuci District Jinzhong City Shanxi Province The PRC	371,932,000
Sub-total:		<u>371,932,000</u>

Group II – Property interest held under development by Baoji Target in the PRC

No.	Property	Market value in existing state as at 31 May 2016 <i>RMB</i>
2.	An industrial complex under construction located at the north of Gaoxin Avenue and the south of Binhe Road New High Tech Industries Development Zone Baoji City Shaanxi Province The PRC	613,732,000
Sub-total:		<u>613,732,000</u>
Grand total:		<u><u>985,664,000</u></u>

VALUATION CERTIFICATE

Group I – Property interest held and occupied by Shanxi Target in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 <i>RMB</i>
1.	An industrial complex No.369 Guangan East Street, Yuci District Jinzhong City Shanxi Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 733,333.34 sq.m., and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 2012 and 2015.</p> <p>The buildings have a total gross floor area of approximately 190,538.74 sq.m. They mainly include manufactory buildings, warehouses, an office building, dormitories, guard rooms and ancillary buildings.</p> <p>The major structures mainly include boundary walls, roads and foundation of equipment.</p> <p>The property also comprises 3 buildings and 2 structures which were under construction (the “CIP”) as at the valuation date and is scheduled to be completed in September 2016.</p> <p>Upon completion, the buildings of the CIP will have a total gross floor area of approximately 1,494 sq.m., which include 2 warehouses and an office building. The structures of the CIP mainly include landscaped facilities and test track.</p> <p>As advised by Shanxi Target, the total construction cost of the CIP is estimated to be approximately RMB25,320,000, of which RMB19,196,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 22 June 2061 for industrial use.</p>	The property is currently occupied by the Shanxi Target for production purpose except for the CIP which is under construction.	371,932,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Shi Guo Yong (2011) Di No. 2101126, the land use rights of a parcel of land with a site area of approximately 866,666,67 sq.m. (including the property) have been granted to Shanxi New Energy, (山西新能源汽车工业有限公司) for a term expiring on 22 June 2061 for industrial use.
2. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 2012-96 and 2013-130 in favour of Shanxi New Energy, an industrial complex with a total gross floor area of approximately 216,775.91 sq.m. has been approved for construction (including 18 buildings of the property with a total gross floor area of approximately 189,811.99 sq.m., and 2 buildings of the CIP with a total planned gross floor area of approximately 970 sq.m., and the remaining buildings with a total planned gross floor area of approximately 25,993.92 sq.m. that have not been built.)
3. Pursuant to 2 Construction Work Commencement Permits – 142401201306280101 and 142400201512280301 in favour of Shanxi New Energy, 13 buildings of the property with a total gross floor area of approximately 188,493.65 sq.m. were permitted by the relevant local authority to commence the construction work of the industrial complex.
4. As advised by Shanxi Target, for the 13 buildings of the property with a total gross floor area of approximately 188,493.65 sq.m., we have not been provided with any title certificate.
5. As advised by Shanxi Target, the remaining 6 buildings of the property with a total gross floor area of approximately 2,045.09 sq.m. and 3 buildings of the CIP with a total gross floor area of approximately 1,494 sq.m. have not obtained any title certificate and Construction Work Commencement Permit.
6. According to the information provided by Shanxi New Energy, a summary of major certificates/approvals of the property are set out as below:

Type	Items	GFA/ Planned GFA (sq.m.)	Building Ownership Certificate	Construction Work Commencement Permit	Construction Work Planning Permit
Completed Building	13	188,493.65	No	Yes	Yes
	5	1,318.34	No	No	Yes
	1	726.75	No	No	No
Sub-total:		<u>190,538.74</u>			
The buildings of the CIP	2	970	N/A	No	Yes
	1	524	N/A	No	No
Sub-total:		<u>1,494</u>			
Grand-total:		<u><u>192,032.74</u></u>			

7. Pursuant to the Acquisition Agreement, Shanxi New Energy undertakes to Jirun Automobile (a 99% interest owned subsidiary of the Company) that the respective legal titles of the property will be successfully transferred from Shanxi New Energy to Shanxi Target in accordance with the applicable laws in the PRC after completion of the Acquisition.
8. We have been provided with a legal opinion regarding the property interest by the PRC legal advisers, which contains, inter alia, the following:
- a. Shanxi New Energy has legally obtained the Land Use Rights Certificates for the land of the property;
 - b. For the land use rights of the land parcel mentioned in note 1, the completed buildings and the buildings of the CIP mentioned in notes 2 and 3, there is no material legal risk for Shanxi New Energy to transfer them to Shanxi Target and obtain relevant title certificates subsequently; and
 - c. the land of the property is not subject to mortgage or any other encumbrances.
9. In the valuation of this property, we have attributed no commercial value to the buildings of the property and the buildings of the CIP mentioned in notes 4 and 5, which are in lack of proper title certificates or construction permits. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB338,375,000 assuming all relevant title certificates have been obtained and they could be freely transferred.
10. The property contributes a significant portion of revenue to Shanxi Target, we are of the view that the property is the material property held by Shanxi Target:

Details of the material property

- | | | |
|--|---|--|
| (a) General description of location of the property | : | The property is located at Guangan East Street in Yuci District, which is located at the east of Jinzhong City. It is near the Yuqi Highway and about 1,000 meters from the East Outer Round Road. Neighbouring developments mainly include various industrial complex under construction. |
| (b) Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) Environmental Issue | : | No environment impact assessment has been carried out. |
| (d) Details of investigations, notices, pending litigation, breaches of law or title defects | : | Shanxi New Energy has not obtained Building Ownership Certificates for the completed buildings and construction commencement permits for the buildings of the CIP of the property (see notes 4 to 6). |
| (e) Future plans for construction, renovation, improvement or development of the property | : | As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document. |

VALUATION CERTIFICATE

Group II – Property interest held under development by Baoji Target in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016 RMB
2.	An industrial complex under construction located at the north of Gaoxin Avenue and the south of Binhe Road New High Tech Industries Development Zone Baoji City Shaanxi Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 790,850.00 sq.m. and an industrial complex under construction (the “CIP”) thereon.</p> <p>The CIP will include 15 buildings with a total planned gross floor area of approximately 271,590.25 sq.m. and various structures, and it is scheduled to be completed in September 2016.</p> <p>As advised by Baoji Target, the total construction cost of the CIP is estimated to be approximately RMB628,238,246, of which RMB398,728,000 had been paid up to the valuation date.</p> <p>The land use rights of the property has been granted for a term expiring on 8 March 2064 for industrial use.</p>	The property is currently under construction.	613,732,000

Notes:

1. Pursuant to 7 State-owned Land Use Rights Grant Contracts dated 5 March 2014, the land use rights of the property were contracted to be granted to Baoji Geely (寶雞吉利汽車有限公司) for terms of 50 years for industrial use. The total land premium was RMB183,370,000. As advised by Baoji Target, the land premium has been paid in full.
2. Pursuant to a State-owned Land Use Rights Certificate – Bao Gao Xin Guo Yong (2014) Di No. 04, the land use rights of a parcel of land with a site area of approximately 790,850.00 sq.m. have been granted to Baoji Geely, for a term expiring on 8 March 2064 for industrial use.
3. Pursuant to 2 Construction Work Planning Permits – Bao Gao Xin Jian Zi Di No. (2014) 34 and Bao Gao Xin Jian Zi Di No. (2015) 14 in favour of Baoji Geely, 8 buildings of the CIP of the property with a total planned gross floor area of approximately 215,717.92 sq.m. have been approved for construction.

4. Pursuant to 5 Construction Work Commencement Permits – Bao Gao Xin Jian Shi (2014) Nos. 30 to 32, Bao Gao Xin Jian Shi (2015) Nos. 12 and 13 in favour of Baoji Geely, permission by the relevant local authority was given to commence the construction work of 8 buildings of the CIP of the property.
5. For the remaining 7 buildings of the CIP of the property with a total planned gross floor area of approximately 55,872.33 sq.m., we have not been provided with any title certificate.
6. According to the information provided by Baoji Geely, a summary of major certificates/approvals of the property are set out as below:

Type	Items	Planned GFA (sq.m.)	Building Ownership Certificate	Construction Work Commencement Permit	Construction Work Planning Permit
The buildings of the	8	215,717.92	N/A	Yes	Yes
CIP	7	<u>55,872.33</u>	N/A	No	No
Grand-total:		<u>271,590.25</u>			

7. Pursuant to the Acquisition Agreement, Baoji Geely undertakes to Jirun Automobile (a 99% interest owned subsidiary of the Company) that the respective legal titles of the property will be successfully transferred from Baoji Geely to the Baoji Target in accordance with the applicable laws in the PRC after completion of the Acquisition.
8. We have been provided with a legal opinion regarding the property interest by the PRC legal advisers, which contains, inter alia, the following:
- Baoji Geely has legally obtained the Land Use Rights Certificates for the land of the property;
 - Baoji Geely has legally obtained all relevant authorities' permits for the construction of the 8 buildings of CIP mentioned in note 3 to 4, and Baoji Geely will have the rights to transfer the 8 buildings of the CIP; and
 - the land of the property is not subject to mortgage or any other encumbrances.
9. In the valuation of the property, we have attributed no commercial value to the 7 buildings mentioned in note 5 which have not obtained any construction permits. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land) as at the valuation date would be RMB86,156,000 assuming all relevant construction permits had been obtained and they could be freely transferred.

10. The property contributes a significant portion of revenue to Baoji Target, we are of the view that the property is the material property held by Baoji Target:

Details of the material property

- | | | | |
|-----|--|---|---|
| (a) | General description of location of the property | : | The property is located at north of Gaoxin Avenue and the south of Binhe Road. It is about 20 kilometers away from Baoji City center, and connected with G30 National Expressway. Neighbouring developments mainly include various industrial complex under construction. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Environmental Issue | : | No environment impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Baoji Geely has not obtained any construction permits for 7 buildings of the CIP of the property (see notes 5 to 8). |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Baoji Geely, there is no plan for new major development in the next 12 months from the date of this document. |

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 or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's 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 Director	Nature of interests	Number or attributable number of Shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li (<i>Note 1</i>)	Interest in controlled corporations	3,759,959,000	–	42.71
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
Ms. Wei Mei	Personal	4,170,000	–	0.05

Name of Director	Nature of interests	Number or attributable number of Shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Share options				
Mr. Yang Jian	Personal	12,000,000 <i>(Note 2)</i>	–	0.14
Mr. Li Dong Hui, Daniel	Personal	7,000,000 <i>(Note 3)</i>	–	0.08
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
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 3,759,959,000 Shares (excluding those held directly by Mr. Li), representing approximately 42.72% 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 interest and short positions in the securities of the associated corporations of the Company*

Name of Director	Name of its associated corporations	Number of Shares in its associated corporations		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	–	60
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)
Mr. Li	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)

Name of Director	Name of its associated corporations	Number of Shares in its associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
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%-owned by Zhejiang Geely. Zhejiang Geely is a private company 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%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company 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%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company 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%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company 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%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company 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%-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%-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	Nature of interests	Number or Shares held			Approximate percentage of shareholding (%)
		Long position	Short position	Lending pool	
Proper Glory (Note 1)	Beneficial owner	2,471,200,000	-	-	28.07
Geely Holding (Note 1)	Interest in controlled corporation	3,759,872,000	-	-	42.71
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	2,471,200,000	-	-	28.07
JP Morgan Chase & Co.	Interest in controlled corporation	615,872,306	-	-	7.00
		-	15,340,175	-	0.17
		-	-	217,159,850	2.47
Citigroup Inc.	Interest in controlled corporation	526,835,322			5.98
			309,816,837		3.52
				256,089,688	2.91

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 and his associate. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
2. Zhejiang Geely 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. Li Dong Hui, Daniel is a director of Geely Holding. 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 BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely 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 that 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, 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 2015, 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 complete knock down kits ("CKDs") and sedan tool kits from the Group to the Geely Holding Group*

Pursuant to the services agreement dated 27 November 2009 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 complete buildup units ("CBUs"), automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group*

Pursuant to the services agreement dated 27 November 2009 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.

- ***Loan guarantee agreement between the Company and Geely Holding (the loan guarantee agreement has an effective term until 31 December 2018)***

Pursuant to the loan guarantee agreement dated 13 November 2015 and the Company's announcement dated 13 November 2015, 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 loan guarantee agreement are higher than 5% on an annual basis, the 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 loan guarantee agreement was held on 30 December 2015 and the loan guarantee agreement was duly approved by the then Independent Shareholders.

- ***Electric vehicle agreement between the Company and Geely Holding (the electric vehicle agreement has an effective term until 31 December 2018)***

Pursuant to the electric vehicle agreement dated 13 November 2015, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the electric vehicle agreement.

As the applicable percentage ratios of the continuing connected transactions contemplated under the electric vehicle agreement are higher than 5% on an annual basis, the electric vehicle 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 electric vehicle agreement was held on 30 December 2015 and the electric vehicle agreement was duly approved by the then Independent Shareholders.

- ***CBU agreement between the Company and Geely Holding, as supplemented by a supplemental CBU agreement (the CBU agreement and the supplemental CBU agreement have 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 are subject to the reporting, annual review, announcement requirements, but are 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 information technology ("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.

- **The Volvo finance cooperation agreements between Genius AFC and VCDC and ZJSH (the Volvo finance cooperation agreements have an effective term until 31 December 2018) (capitalized terms were defined in the circular of the Company dated 28 January 2016)**
- ***Wholesale facility agreement between Genius AFC with Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2018)***

Pursuant to the wholesale facility agreement dated 11 December 2015, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles.

As the applicable percentage ratios of the continuing connected transactions contemplated under the wholesale facility agreement are higher than 5% on an annual basis, the wholesale facility 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 wholesale facility agreement was held on 18 February 2016 and the wholesale facility agreement was duly approved by the then Independent Shareholders.

- ***Retail loan cooperation agreement between Genius AFC and Volvo retail consumers (the retail loan cooperation agreement has an effective term until 31 December 2018)***

Pursuant to the retail loan cooperation agreement dated 11 December 2015, dealers of Volvo shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles.

As the applicable percentage ratios of the continuing connected transactions contemplated under the retail loan cooperation agreement are higher than 5% on an annual basis, the retail loan cooperation 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 retail loan cooperation agreement was held on 18 February 2016 and the retail loan cooperation agreement was duly approved by the then Independent Shareholders.

5. DIRECTOR'S SERVICE CONTRACTS

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

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 2015, 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
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer

As at the Latest Practicable Date, each of the above experts:

- (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 2015, 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. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the members of the Group after the date being two years immediately preceding the date of the announcement dated 1 June 2016 but on or before the date of this circular and which are or may be material:

- (a) the Acquisition Agreements;
- (b) the assets disposal agreement dated 4 March 2015 entered into between the Company and 浙江萬里揚變速器股份有限公司 (Zhejiang Wanliyang Transmission Co. Ltd.) (“**Zhejiang Wanliyang**”), an independent third party to the Company and its connected persons, pursuant to which the Group agreed to sell and Zhejiang Wanliyang agreed to purchase the assets, which mainly comprised transmission production lines and related equipments, for a total consideration of RMB300 million;

- (c) the acquisition agreement entered into between Zhejiang Jirun Automobile Company Limited, a 99% owned subsidiary of the Company, and Zhejiang Geely on 6 February 2015 in relation to the acquisition of the entire registered capital of 浙江吉潤春曉汽車部件有限公司 (Zhejiang Jirun Chunxiao Automobile Components Company Limited) for a consideration of RMB1,137,840,545;
- (d) the joint venture agreement dated 8 January 2015 entered into between two subsidiaries of the Company and independent third parties regarding the establishment of a joint venture company with the registered capital of RMB1,000 million engaging in the research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale service; and
- (e) the three disposal agreements dated 21 July 2014 entered into between (i) the Company and Proper Glory regarding the Company's disposal of the entire issued share capital of DSI Holdings Pty Limited for a total consideration of AUD88,353,755 (Proper Glory is a connected person of the Company); (ii) Hunan Geely Automobile Components Company Limited ("**Hunan Automobile Components**"), 99% indirect owned subsidiary of the Company, and Zhejiang Geely Automobile Parts and Components Company Limited ("**Zhejiang Geely Components**") regarding Hunan Automobile Components' disposal of 50% of the registered capital of Hunan Jisheng International Drivetrain System Company Limited for a consideration of RMB85,500,000 (Zhejiang Geely Components is a connected person of the Company); and (iii) Jinan Geely Automobile Components Company Limited ("**Jinan Automobile Components**"), 99% indirect owned subsidiary of the Company, and Zhejiang Geely Components regarding Jinan Automobile Components' disposal of the entire issued share capital of Shandong Geely Gearbox Company Limited for a consideration of RMB100,000,000 (Zhejiang Geely Components is a connected person of the Company).

9. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland Town, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. 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 Monday, 8 August 2016:

- (a) the Articles of Association;
- (b) the annual report of the Company for the two years ended 31 December 2014 and 2015;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 22 of this circular;
- (d) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 36 of this circular;
- (e) the valuation report on the Baoji Land and Buildings and Shanxi Land and Buildings issued by JLL as set out in Appendix I of this circular;
- (f) the written consent from Gram Capital referred to in the paragraph headed "Expert's qualification and consent" in this appendix;
- (g) the written consent from JLL referred to in the paragraph headed "Expert's qualification and consent" in this appendix;
- (h) the material contracts as referred to under the paragraph headed "Material contracts" in this appendix; and
- (i) this circular.

NOTICE OF THE EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in 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 Monday, 8 August 2016 at 10:00 a.m. or at any adjustment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

To consider and, if though fit, pass with or without amendment, the following resolutions as ordinary resolutions of the Company:

1. “THAT:

the sale and purchase agreement dated 1 June 2016 (the “**Baoji Acquisition Agreement**”) entered into between Zhejiang Jirun Automobile Company Limited, a 99% owned subsidiary of the Company, as purchaser and Baoji Geely Automobile Company Limited, as vendor in relation to the acquisition of the entire registered capital of Baoji Geely Automobile Components Company Limited (a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company).”

2. “THAT:

the sale and purchase agreement dated 1 June 2016 (the “**Shanxi Acquisition Agreement**”) entered into between Zhejiang Jirun Automobile Company Limited, a 99% owned subsidiary of the Company, as purchaser and Shanxi New Energy Automobile Industrial Company Limited, as vendor in relation to the acquisition of the entire registered capital of Shanxi Geely Automobile Components Company Limited (a copy of which is tabled at the meeting and marked “**B**” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable

NOTICE OF THE EGM

or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company).”

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

Hong Kong, 21 July 2016

Notes:

- (1) Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.

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. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence and Ms. Wei Mei, 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. An Qing Heng and Mr. Wang Yang.