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

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

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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE JV FORMATION**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to Geely Automobile Holdings Limited



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of Geely Automobile Holdings Limited**



云锋金融

**REORIENT Financial Markets Limited
(A member of Yunfeng Financial Group)**

A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 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, 18 September 2017 at 4:30 p.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.

1 September 2017

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DEFINITIONS

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

“Articles of Association”	the articles of association of the JV Company executed by the JV Parties on the same date of the Joint Venture Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBU(s)”	Complete build-up unit (整車), a complete vehicle after the final assembly
“CEVT”	China-Euro Vehicle Technology AB, a development centre and a non-wholly owned subsidiary of Geely Holding with operation based in Lindholmen Science Park in Gothenburg, Sweden as at the Latest Practicable Date
“Centurion”	Centurion Industries Limited, a limited company established in the British Virgin Islands and a direct wholly owned subsidiary of the Company as at the Latest Practicable Date
“CMA”	compact modular architecture developed by CEVT, which will be used for developing compact models equipped with the relevant specifically designed powertrain system
“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(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 99% equity interests in the registered capital of the Disposal Company by the Group to Zhejiang Haoqing pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement entered into between Fulin Guorun, Centurion and Zhejiang Haoqing on 4 August 2017 in relation to the Disposal

DEFINITIONS

“Disposal Company”	浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited*), a limited company established in the PRC and the 8% and 91% equity interests in the registered capital of which are agreed to be disposed of by Fulin Guorun and Centurion, respectively, to Zhejiang Haoqing pursuant to the Disposal Agreement
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the JV Formation
“Fulin Guorun”	浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts & Components Company Limited*), a limited company established in the PRC and an indirect wholly owned subsidiary of the Company as at the Latest Practicable Date
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, as at the Latest Practicable Date
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 JV Formation
“Independent Financial Adviser”	REORIENT Financial Markets Limited (a wholly owned subsidiary of Yunfeng Financial Group Limited), a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance in Hong Kong, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the JV Formation under the Joint Venture Agreement

DEFINITIONS

“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
“Joint Venture Agreement”	the joint venture agreement dated 4 August 2017 entered into between Zhejiang Jirun, Zhejiang Haoqing and VCI in relation to the formation of the JV Company
“JV Board”	the board of directors of the JV Company
“JV Company”	LYNK & CO Investment Company Limited, a Chinese-foreign equity joint venture company to be established in the PRC by Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to the Joint Venture Agreement
“JV Formation”	the formation of the JV Company by Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to the Joint Venture Agreement
“JV Parties”	parties to the Joint Venture Agreement, being Zhejiang Jirun, Zhejiang Haoqing and VCI, and “JV Party” shall be construed accordingly
“Kai Yue”	Kai Yue Zhangjiakou Component Manufacturing Co., Ltd.* (凱悅汽車大部件製造(張家口)有限公司), a private company incorporated in the PRC and is a non-wholly owned subsidiary of Geely Holding as at the Latest Practicable Date
“Latest Practicable Date”	29 August 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lynk & Co”	a new car brand which will be marketed globally striving towards a premium position, and under which the Lynk & Co 01 Model will be the first vehicle model to be launched to the market
“Lynk & Co Sales”	領克汽車銷售有限公司 (Lynk & Co Auto Sales Company Limited*), an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
“Lynk & Co 01 Model”	a new SUV model which will be the first vehicle model under the Lynk & Co brand to be marketed
“Lynk & Co 02 Model”	a new vehicle model under the Lynk & Co brand to be manufactured in the production facilities held by Kai Yue

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“Lynk & Co 03 Model”	a new vehicle model under the Lynk & Co brand to be manufactured in the production facilities held by Kai Yue
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 44.11% interests in the total issued share capital of the Company as at the Latest Practicable Date
“Ningbo Research”	寧波吉利汽車研究開發有限公司 (Ningbo Geely Automobile Research and Development Company Limited*), a development centre and a non-wholly owned subsidiary of Geely Holding in the PRC as at the Latest Practicable Date
“OEM”	original equipment manufacturer, which manufactures a product in accordance with the customer’s design and specifications and is marketed and sold under the customer’s brand name
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“SUV”	sport utility vehicle
“US”	the United States of America
“USPTO”	United States Patent and Trademark Office, the federal agency for granting US patents and registering trademarks
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited*), a limited liability company established in the PRC and is 100% owned by Volvo Car Corporation as at the Latest Practicable Date

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“Volvo Car Corporation”	Volvo Car Corporation, an automobile manufacturer established in 1927 and headquartered in Gothenburg, Sweden, and a wholly owned subsidiary of Volvo Car AB and is indirectly 99% owned by Geely Holding as at the Latest Practicable Date
“Volvo Car AB”	Volvo Car AB, a limited liability company incorporated in Sweden and is indirectly 99% owned by Geely Holding as at the Latest Practicable Date
“Volvo Car Group”	Volvo Car AB and its subsidiaries
“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and is a wholly owned subsidiary owned by Mr. Li and his associate(s) as at the Latest Practicable Date
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC and an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date

* *For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.*

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

Principal Place of Business in Hong Kong:

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

1 September 2017

To the Shareholders,

Dear Sir or Madam

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE JV FORMATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 20 July 2017 and 4 August 2017 in relation to the JV Formation. On 4 August 2017, the Company announced that Zhejiang Jirun, a subsidiary of the Company, entered into the Joint Venture Agreement with Zhejiang Haoqing and VCI, pursuant to which Zhejiang Jirun, Zhejiang Haoqing and VCI have conditionally agreed to form the JV Company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of after-sale services relating thereto.

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As Zhejiang Haoqing and VCI are indirectly controlled by Geely Holding, which in turn are beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.11% of the total issued share capital of the Company as at the Latest Practicable Date. As such, each of Zhejiang Haoqing and VCI is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the JV Formation constitutes a connected transaction of the Company. As one of the applicable percentage ratios for the JV Formation exceeds 5%, the JV Formation is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among others, (i) further information about the JV Formation; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules together with the notice of the EGM.

THE JV FORMATION

The principal terms of the Joint Venture Agreement are set forth below:

Date

4 August 2017

- Parties:**
- (i) Zhejiang Jirun;
 - (ii) Zhejiang Haoqing; and
 - (iii) VCI

Zhejiang Jirun is a 99% owned subsidiary of the Company and is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC.

Zhejiang Haoqing is a non-wholly owned subsidiary of Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Accordingly, Zhejiang Haoqing is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Zhejiang Haoqing is principally engaged in manufacturing and sales of automobiles and related components; and agricultural-use vehicles and agricultural related engines, machinery and accessories. Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

VCI is an indirect wholly owned subsidiary of Volvo Car Group. Volvo Car Group is indirectly controlled by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Accordingly, VCI is an associate of Mr. Li and a connected person of the Company under the Listing Rules. VCI is principally engaged in investment holding. Volvo Car Group produces a premium range of cars including sedans, cross country, estates and luxury SUV with manufacturing facilities in Sweden, Belgium and the PRC.

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Subject matters

Pursuant to the Joint Venture Agreement, Zhejiang Jirun, Zhejiang Haoqing and VCI have conditionally agreed to form the JV Company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of after-sale services relating thereto.

Upon establishment, the JV Company will become a joint venture of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Group as confirmed by the external auditor of the Company.

Term

The JV Company shall have a term of 50 years, commencing on the date on which the business license of the JV Company is first issued which is expected to be no later than 31 October 2017 upon the fulfillment of all the conditions precedent as stipulated under the Joint Venture Agreement.

Business scope and business of the JV Company

The business scope of the JV Company is to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of after-sale services relating thereto.

The JV Company shall be established as a holding company for all relevant entities and assets to own and operate the business as described above. The JV Company shall, immediately after its formation and in each case subject to acceptance of the applicable due diligence results by all JV Parties and upon terms and conditions of the applicable definitive agreements to be entered into by the JV Company and the applicable parties, acquire the following entities and assets:

- (i) 100% equity interests in Kai Yue, a non-wholly owned subsidiary of Geely Holding as at the Latest Practicable Date, which shall be responsible for the production of the Lynk & Co 02 Model and the Lynk & Co 03 Model; and
- (ii) 100% equity interests in Lynk & Co Sales, a non-wholly owned subsidiary of the Company as at the Latest Practicable Date, which (a) shall be responsible for the establishment of Lynk & Co's dealer network, sales and marketing and after-sale services in the PRC; (b) shall establish a subsidiary to own the intellectual properties in respect of the technology for use in the production of the Lynk & Co 01 Model, and to bear the royalties for use of the CMA in the production of the Lynk & Co 01 Model; and (c) shall establish another subsidiary to be responsible for the sale of vehicles under the Lynk & Co brand and the provision of after-sale services relating thereto outside the PRC.

Pursuant to the Joint Venture Agreement, the technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model developed by CEVT and Ningbo Research, both being non-wholly owned subsidiaries of Geely Holding, shall be transferred to and owned by the JV Company or its designated subsidiaries pursuant to the relevant technology transfer agreement(s) and/or technology development agreement(s) to be entered into between the JV Company and the applicable parties.

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For the purpose of, amongst others, setting out the principles and primary terms of the above equity interest or asset transfers, and providing framework within which each of such transfers will be given effect by the relevant parties, on 4 August 2017, the Company, Geely Holding and Volvo Car Corporation entered into a framework agreement in conjunction with the Joint Venture Agreement.

As at the Latest Practicable Date, the principal assets of Kai Yue are the production facilities located in Zhangjiakou City, Hebei Province, the PRC for the production of vehicles. The construction work of the production facilities held by Kai Yue has recently been completed and it is expected that trial production will commence in the second half of 2017 before commercial production can take place in early 2018. The consideration payable by the JV Company for the acquisition of Kai Yue will be based on the then net assets value of Kai Yue prepared under the HKFRS at the time the relevant acquisition agreement is entered into which shall be reviewed by a qualified accountant approved by the JV Company.

As at the Latest Practicable Date, Lynk & Co Sales has not commenced any business operation. The consideration payable by the JV Company for the acquisition of Lynk & Co Sales will be based on the then registered capital of Lynk & Co Sales contributed by the Group at the time the relevant acquisition agreement is entered into.

The consideration payable by the JV Company for the transfer of the technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model will be primarily based on the then actual costs incurred by Geely Holding Group for the research and development of the respective technologies at the time the relevant transfer/development agreement is entered into which shall be reviewed by a qualified accountant approved by the JV Company.

Registered capital

The registered capital of the JV Company shall be RMB7,500,000,000. Zhejiang Jirun, Zhejiang Haoqing and VCI shall subscribe to RMB3,750,000,000, RMB1,500,000,000 and RMB2,250,000,000 in cash, which constitute 50%, 20% and 30% of the registered capital of the JV Company, respectively.

The timing for the JV Parties to make their respective contributions to the registered capital of the JV Company shall be mutually determined and agreed by the JV Parties. Based on the business needs of the JV Company and that the Lynk & Co 01 Model is expected to be launched in the fourth quarter of 2017, it is expected that the entire RMB7,500,000,000 will be contributed by the JV Parties no later than 30 November 2017.

In particular, the JV Parties shall only be obligated to make the initial portion of their respective contributions to the registered capital of the JV Company after the JV Company has obtained its business license setting out information which is consistent with the terms of the Joint Venture Agreement.

Any additional financing which the JV Company may require from time to time over the amounts described above, may be raised by means of equity interest holder's loans on commercial terms, equity contributions by the JV Parties or loans from commercial banks or other parties. Notwithstanding the foregoing, no JV Party shall have any obligation to provide any financing to the JV Company other than making its contributions to the JV Company's registered capital as described above. In case the Actual

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Considerations (as defined below) are less than the registered capital of the JV Company of RMB7,500,000,000, the excess capital contributed to the JV Company will be used as general working capital for the JV Company.

The amount of capital contributions to the JV Company was determined after arm's length negotiation between the JV Parties, having taken into account the estimated capital requirements of the JV Company. It is expected that (i) approximately RMB100,000,000 will be utilized for the acquisition of 100% equity interests in Lynk & Co Sales; ii) approximately RMB3,000,000,000 will be utilized for the acquisition of 100% equity interests in and the development of Kai Yue; and (iii) approximately RMB4,400,000,000 will be utilized for the transfer/development of the technologies for the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model.

The estimated total amount and timing of the capital requirements of the JV Company are summarised as follows:

Estimated capital requirements of the JV Company				
<i>Approximately (RMB billion)</i>				
	2017	2018		Total
	Second half	First half	Second half	
(i) Acquisition of 100% equity interests in and development of Kai Yue	3.0	0.3	0.2	3.5
(ii) Transfer/development of technologies for the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model	4.4	0.6	0	5.0
(iii) Acquisition of Lynk & Co Sales	0.1	0	0	0.1
Total	7.5	0.9	0.2	8.6

Subject to the determination of the Actual Considerations as described below, the total capital requirements expected to be incurred in 2017 of approximately RMB7.5 billion shall be satisfied by the registered capital of the JV Company in the manner as explained above. The JV Parties intend to fund the remaining portion of the capital requirements expected to be incurred in 2018 of approximately RMB1.1 billion by means of equity interest holder's loans on commercial terms and/or loans from commercial banks or other parties.

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As at the Latest Practicable Date, the JV Parties have not identified any material due diligence issues and do not foresee any major obstacles in reaching definitive agreements for the above transactions after capital contributions. The actual considerations for the abovementioned transactions (the “**Actual Considerations**”) shall be adjusted downward in case of any negative findings being identified in the due diligence review (e.g. any contingent liabilities, impairment of assets or other issues which shall have an adverse impact on the balance sheet items) on Kai Yue, Lynk & Co Sales and the development costs of the technologies for the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model.

It is expected that the registered capital of the JV Company to be contributed by Zhejiang Jirun of RMB3,750,000,000 will be funded by internal resources of the Group.

Composition of the JV Board

The JV Board shall consist of four directors. Zhejiang Jirun shall appoint two directors (one of whom shall be the chairman of the JV Board), Zhejiang Haoqing shall appoint one director and VCI shall appoint one director. Each director shall be appointed for a term of three years and may serve consecutive terms if re-appointed by the JV Party originally appointing him/her.

The chief executive officer and the chief financial officer of the JV Company shall be nominated by Zhejiang Jirun and appointed by the JV Board for a term of three years and may serve consecutive terms if re-nominated by Zhejiang Jirun and re-appointed by the JV Board.

Appointment of supervisors

The JV Company shall have two supervisors with one being appointed by Zhejiang Jirun and the other one being appointed by VCI. Each supervisor shall be appointed for a term of three years and may serve consecutive terms if re-appointed. The supervisor, a compulsory position required under the Company Law of the PRC, is entitled to effectively inspect and protect the interests of the JV Company and prevent any actions which will injure the interests of the JV Company.

Profit and loss sharing

Under the Company Law of the PRC, JV Parties will be entitled to share the financial results of the JV Company in proportion to their respective equity interests in the JV Company.

Conditions precedent

The Joint Venture Agreement shall become effective on the date as of which all of the following conditions have been fulfilled:

- (i) the Joint Venture Agreement and the Articles of Association have been executed by the JV Parties;
- (ii) the Joint Venture Agreement and the Articles of Association have been approved by the board of directors of each of the JV Parties; and

LETTER FROM THE BOARD

- (iii) the Joint Venture Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

The Joint Venture Agreement shall automatically terminate if any condition(s) precedent of the Joint Venture Agreement fail(s) to be fulfilled as of 90 days after the date of the Joint Venture Agreement and within 30 days thereafter the JV Parties fail to reach agreement on extending the time period within which fulfilment of such condition(s) precedent can continue to be pursued.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

FINANCIAL IMPACT OF THE JV FORMATION

Upon the completion of the capital contribution to the registered capital of the JV Company by Zhejiang Jirun, there will be re-classification of cash and bank balances of a total amount of RMB3,750,000,000 to an interest in a joint venture in the consolidated financial statements of the Group. After the establishment of the JV Company, the investment in the JV Company will be accounted for in the consolidated financial statements of the Group by way of equity accounting and the Group's share of the profit and loss of the JV Company will be included in the consolidated results of the Group.

Despite that as at 30 June 2017, the Group had cash and bank balance of approximately RMB20.8 billion and that the management does not consider there is better utilization of such RMB3,750,000,000, the required capital contribution to the JV Company is still a relatively substantial amount of capital commitment by the Group.

REASONS FOR AND BENEFITS OF THE JV FORMATION

The Group is principally engaged in the research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding.

Upon establishment, the JV Company will be principally engaged in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of after-sale services relating thereto. The Lynk & Co brand will be marketed globally striving towards a premium position. The first car launched will be the Lynk & Co 01 Model, which will be a SUV.

As provided in the Joint Venture Agreement, the JV Company shall, immediately after its formation and subject to due diligence by the JV Parties and upon terms and conditions of the applicable definitive agreements to be entered into by the relevant parties, acquire, amongst others, 100% equity interests in Kai Yue, a non-wholly owned subsidiary of Geely Holding as at the Latest Practicable Date. The principal assets of Kai Yue are the production facilities located in Zhangjiakou City, Hebei Province, the PRC for the production of vehicles. The construction work of the production facilities held by Kai Yue has recently been completed and it is expected that trial production will commence in the second half of 2017 before commercial production can take place in early 2018. While the Lynk & Co 02 Model and the Lynk & Co 03 Model will be manufactured in the production facilities held by Kai Yue in the future, the manufacturing of the Lynk & Co 01 Model, which is expected to be launched in the fourth quarter of 2017, will be handled by the Disposal Company which will act as the OEM of the Lynk & Co 01 Model upon completion of the Disposal. The Disposal Company is currently an idle factory of the Group. Upon completion of the Disposal,

LETTER FROM THE BOARD

the Disposal Company will manufacture the Lynk & Co 01 Model as well as other models of Volvo Car Corporation, and therefore, it is not appropriate for the Company to dispose of the Disposal Company to the JV Company. It is under the production planning of the JV Company that the Lynk & Co 01 Model will be entirely manufactured by the Disposal Company. While Kai Yue will only be ready for commercial production in early 2018 and the manufacture of the Lynk & Co 01 Model by the Disposal Company will start soon after completion of the Disposal in the fourth quarter of 2017, the Company considers that it is not in the best interest of the Company and the Shareholders as a whole to have the Lynk & Co 01 Model manufactured by Kai Yue even after it is ready for commercial production in early 2018 as it is extremely costly to relocate the production line for the manufacturing of the Lynk & Co 01 Model from the Disposal Company to Kai Yue which will involve additional planning costs, set-up costs, machinery costs, test-run and trial costs etc..

The Group's cooperation with Volvo Car Corporation has been mainly through CEVT, a research and development centre based in Lindholmen Science Park in Gothenburg, Sweden and a non-wholly owned subsidiary of Geely Holding, which Volvo Car Corporation has provided valuable assistance to its establishment and contributed tremendously to the development of the CMA. The CMA will deliver not only world-class product technologies and attributes, but also cost savings in terms of development, testing and sourcing, which lead to the realisation of significant economies of scale.

In addition to the development of the CMA, CEVT, together with Ningbo Research, a research and development centre and a non-wholly owned subsidiary of Geely Holding, are in the process of developing technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model. The production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model will require the utilisation of the CMA as well as the technologies developed by CEVT and Ningbo Research as described above, which offer vehicles with higher quality, better performance, more precise construction and technological innovation functions or features (e.g. wi-fi hotspot, connectivity to vehicles via mobile applications and other top-notch functions). The Lynk & Co brand targets customers with a relatively higher spending power when compared to the existing Geely brand which focuses on economy automobiles that are practical, lightweight with lower retail price.

It is expected that Volvo Car Group's equity interests in the JV Company demonstrate its support to the Lynk & Co brand going forward.

The Board considers that the JV Formation will allow the Company, through its 50% equity interests in the JV Company, to participate in the operation of the Lynk & Co business, which will be marketed globally striving towards a premium position, and is expected to broaden the income stream of the Group and further strengthen the Group's market position in the automobile market.

RECENT DEVELOPMENT REGARDING THE TRADEMARK APPLICATION FOR THE "LYNK & CO" BRAND

As at the Latest Practicable Date, trademark applications for the "Lynk & Co" brand have been granted by the relevant authorities in countries including, but not limited to, the PRC, Australia, New Zealand and the United Kingdom. Trademark application for the "Lynk & Co" brand in the US was first made to the USPTO on 25 November 2016 which was subsequently published by the USPTO on 18 July 2017. Pursuant to the relevant laws and regulations, any party may file an opposition against the trademark

LETTER FROM THE BOARD

application within 30 days from the date on which such application was published. Ford Motor Co. has recently filed an opposition against the trademark application for the “Lynk & Co” brand made with the USPTO. The Group and the Geely Holding Group are currently working with their US legal advisors on this matter and will make further announcement should there be material development on such opposition at appropriate time. The Company does not foresee any material adverse effect such opposition may have on the JV Formation and/or the operation of the JV Company.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, both Zhejiang Haoqing and VCI are indirectly controlled by Geely Holding, which in turn are beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.11% of the total issued share capital of the Company as at the Latest Practicable Date. As such, each of Zhejiang Haoqing and VCI is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the JV Formation constitutes a connected transaction of the Company.

As one of the applicable percentage ratios for the JV Formation exceeds 5%, the JV Formation is subject to the reporting and announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios for the JV Formation exceeds 5% but is less than 25%, the JV Formation also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Li and his associates together holding 3,948,604,000 Shares (representing approximately 44.11% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,200,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 16,280,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolution to be proposed at the EGM to approve the JV Formation.

Geely Holding is owned as to 90% by Mr. Li as at the Latest Practicable Date and Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui are directors of Geely Holding. Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the JV Formation by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the JV Formation.

THE EGM

The EGM will be convened to consider and approve the JV Formation. 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, 18 September 2017 at 4:30 p.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not

LETTER FROM THE BOARD

you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the JV Formation are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the terms of the JV Formation are fair and reasonable and are in the interest of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Board considers that the terms of the JV Formation are on normal commercial terms and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and they are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, which are respectively set out on pages 16 to 17 and pages 18 to 34 of this circular. Additional information is also set out in Appendix I to this circular.

Yours faithfully,
By order of the Board
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 JV Formation 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)

1 September 2017

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE JV FORMATION

We refer to the circular dated 1 September 2017 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a Shareholder whether the Independent Board Committee are of the view that the terms of the JV Formation are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 15 of the Circular and the letter from the Independent Financial Adviser as set out on pages 18 to 34 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the JV Formation with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of the JV Formation are on normal commercial terms, and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and they are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the JV Formation and the transaction(s) contemplated thereunder.

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 THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.



云 锋 金 融

Suites 3201-3204
One Exchange Square
8 Connaught Place
Hong Kong

1 September 2017

*The Independent Board Committee and
the Independent Shareholders
Geely Automobile Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE JV FORMATION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the JV Formation under the Joint Venture Agreement, details of which are set out in the circular of the Company dated 1 September 2017 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 4 August 2017, Zhejiang Jirun, a subsidiary of the Company, entered into the Joint Venture Agreement with Zhejiang Haoqing and VCI, pursuant to which Zhejiang Jirun, Zhejiang Haoqing and VCI have conditionally agreed to form the JV Company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand and the provision of after-sale services relating thereto.

As at the Latest Practicable Date, both Zhejiang Haoqing and VCI are indirectly controlled by Geely Holding, which in turn are owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.11% of the total issued share capital of the Company as at the Latest Practicable Date. As such, each of Zhejiang Haoqing and VCI is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the JV Formation constitutes a connected transaction of the Company.

As one of the applicable percentage ratios for the JV Formation exceeds 5%, the JV Formation is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dennis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang, has been established to give advice and recommendation to the Independent Shareholders in relation to the Joint Venture Agreement.

We, REORIENT Financial Markets Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Joint Venture Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular, those supplied or made available by the management of and advisers to the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the Latest Practicable Date and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group, Geely Holding, Zhejiang Haoqing, and VCI and their respective associates nor have we carried out any in-depth research on the Group, Geely Holding, Zhejiang Haoqing and VCI and their respective associates.

As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or its substantial Shareholders, Directors or chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Joint Venture Agreement.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Joint Venture Agreement, we have taken into consideration the following principal factors:

Background of the Joint Venture Agreement

On 4 August 2017, Zhejiang Jirun, a subsidiary of the Company, entered into the Joint Venture Agreement with Zhejiang Haoqing and VCI, pursuant to which Zhejiang Jirun, Zhejiang Haoqing and VCI have conditionally agreed to form the JV Company to engage in the manufacturing and sale of vehicles under the Lynk & Co brand and the provision of after-sale services relating thereto. Pursuant to the Joint Venture Agreement, the JV Company will be owned as to 50% by Zhejiang Jirun, 20% by Zhejiang Haoqing and 30% by VCI. The registered capital of the JV Company will be RMB7,500 million, which shall be contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash proportional to their respective equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

interests in the JV Company. Upon establishment, the JV Company will become an indirect joint venture of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Group as confirmed by the external auditor of the Company.

Information on the parties of the Joint Venture Agreement

Zhejiang Jirun is a 99% owned subsidiary of the Company and is principally engaged in the research, development, production, marketing and sale of sedans and related automobile components in the PRC.

Zhejiang Haoqing is a non-wholly owned subsidiary of Geely Holding, which in turn is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li. Accordingly, Zhejiang Haoqing is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Zhejiang Haoqing is principally engaged in manufacturing and sale of automobiles and related components; and agricultural-use vehicles and agricultural related engines, machinery and accessories. Geely Holding and its subsidiaries are principally engaged in the sale of automobiles and related parts and components wholesale and retail businesses.

VCI is a wholly owned subsidiary of Volvo Car Corporation which in turn is indirectly owned as to 99% by Geely Holding as at the Latest Practicable Date. As Geely Holding is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li as at the Latest Practicable Date. Accordingly, VCI is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Volvo Car Group produces a premium range of cars including sedans, cross country, estates and luxury SUV with manufacturing facilities in Sweden, Belgium and the PRC.

Information on 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 Group sells most of its products in the PRC market and has also expanded its sales through export to Europe, Africa, Middle East, among other countries. We understand from the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**") that the Group's headquarters is in Hangzhou and the Group's manufacturing plants are located in Luqiao, Ningbo/Cixi, Chunxiao, Xiangtan, Jinan, Chengdu, Baoji, Linhai and Jinzhong, the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consolidated revenue and results of the Company for the years ended 31 December 2016, 2015 and 2014 and for the six months ended 30 June 2017 and 2016, as extracted from the 2016 Annual Report, the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), are summarized below:

	For the six months ended 30 June 2017 RMB'000 (unaudited)	%	For the six months ended 30 June 2016 RMB'000 (unaudited)	For the year ended 31 December 2016 RMB'000 (audited)	%	For the year ended 31 December 2015 RMB'000 (audited)	%	For the year ended 31 December 2014 RMB'000 (audited)
		change			change		change	
Revenue	39,423,646	117.94%	18,089,274	53,721,576	78.25%	30,138,256	38.64%	21,738,358
Gross profit	7,554,132	135.55%	3,207,020	9,841,717	79.90%	5,470,653	38.06%	3,962,635
Gross profit margin	19.16%	8.07%	17.73%	18.32%	0.94%	18.15%	-0.44%	18.23%
Profit attributable to equity holders of the Company	4,343,563	127.74%	1,907,242	5,112,398	126.16%	2,260,529	58.01%	1,430,588

Financial results for the six months ended 30 June 2017 (“1H2017”) compared with those for the six months ended 30 June 2016 (“1H2016”)

Revenue

The consolidated revenue of the Company amounted to approximately RMB18,089 million and RMB39,424 million for each of 1H2016 and 1H2017 respectively, representing an increase of approximately 118% for 1H2017 as compared with 1H2016. The increase in the Group’s revenue was primarily attributable to: (i) the growth in the domestic sales volume, and (ii) an improvement in the Group’s product mix comprising a higher proportion of higher-priced models which led to a higher average ex-factory selling price.

(i) Sales volume

As stated in the 2017 Interim Report, total sales volume increased by approximately 89% to 530,627 units of vehicles for 1H2017 compared to that of 1H2016, of which 526,779 units were sold in China, representing an increase of approximately 95% as compared to the domestic sales volume for 1H2016. The increase in the Group’s domestic sales volume outperformed the overall passenger vehicle market in the PRC which increased by 1.6% over that for the same period last year, according to the data published by China Association of Automobile Manufacturers (“CAAM”) (a non-profit social organization established under the approval of the Ministry of Civil Affairs of the PRC which consists of enterprises and institutions engaging in the production and management of automobiles, automobile parts and vehicle-related industries in the PRC and is formed for the purpose of developing and promoting the PRC automobile industry and the implementation of national principles and policies relating to the PRC automobile industry). According to the data published by CAAM, the Group’s market share in the overall China’s passenger vehicle market went up from approximately 2% for 1H2016 to approximately 4.7% for 1H2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Selling price

The strong performance of new models introduced by the Group in recent years improved the Group's product mix. A higher proportion of higher-priced vehicle models were sold by the Group in 1H2017. As stated in the 2017 Interim Report, the average ex-factory selling price of the Group's vehicles increased by approximately 16% for 1H2017 as compared to that for 1H2016.

Profit

Profit attributable to equity holders of the Company amounted to RMB1,907 million and RMB4,344 million for each of 1H2016 and 1H2017 respectively, representing an increase of approximately 128% in 1H2017 as compared with that for 1H2016. The gross profit margin amounted to approximately 17.8% and approximately 19.2% for 1H2016 and 1H2017 respectively.

The increase in the Company's profit for 1H2017 was primarily attributable to: (i) an increase in revenue (which was driven by an increase in domestic sales) by approximately RMB21,335 million for 1H2017 comparing to that for 1H2016; and (ii) the period-on-period growth in revenue for 1H2017 (approximately 118%) is higher than the increase in cost of sales, distribution and selling expenses and administrative expenses over the same period. Profit attributable to equity holders of the Company increased by approximately 128%. The increase in the Company's profit for 1H2017 was mainly offset by the increase in distribution and selling expenses by approximately RMB916 million and administrative expenses by approximately RMB468 million due to rapid growth in amortisation of intangible assets.

Financial results for the year ended 31 December 2016 ("FY2016") compared with the year ended 31 December 2015 ("FY2015")

Revenue

The consolidated revenue of the Company amounted to approximately RMB30,138 million and RMB53,722 million for each of FY2015 and FY2016 respectively, representing an increase of approximately 78% for FY2016 as compared with that for FY2015. The improvement in the Group's financial performance was primarily attributable to the growth in the domestic sales volume and the average selling price of the vehicles sold by the Group in FY2016.

(i) Sales volume

The total sales volume of the Group's vehicles exceeded the sales volume target of 700,000 units for FY2016. It increased from 510,097 units for FY2015 to 765,970 units for FY2016, representing an increase of approximately 50% as compared with that of FY2015. The percentage of the Group's total sales attributable to the mainland China market increased in FY2016. The sales volume of the Group's vehicles in the China market contributed approximately 97% of the total sales volume of the Group's vehicles for FY2016. It increased from 484,363 units for FY2015 to 744,191 units for FY2016, representing an increase of approximately 54%. Sales volume of passenger vehicles under the Chinese local brands sold in the China market grew approximately 20.5% for FY2016 as compared with that in FY2015 and exceeded the 14.9%

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year-to-year growth in the total sales volume of passenger vehicles sold in the China market, according to the CAAM. Such growth in the Chinese local vehicle sales was primarily attributable to the growth in the sales volume of Chinese local SUVs.

We understand from our review of the 2016 Annual Report that the aggregate sales volume of the new models including SUVs launched by the Group in FY2016 contributed approximately 32% of the total sales volume of the Group's vehicles for FY2016.

(ii) Selling price

The strong performance of models introduced by the Group in recent years improved the Group's product mix, as a higher proportion of higher-priced models were sold in FY2016. As stated in the 2016 Annual Report, the average ex-factory selling price of the Group's vehicles as a result increased from RMB56,564 per unit for FY2015 to RMB68,993 per unit for FY2016.

Profit

Profit attributable to equity holders of the Company amounted to RMB2,261 million and RMB5,112 million for each of FY2015 and FY2016 respectively, representing an increase of approximately 126% for FY2016 as compared with that for FY2015. The gross profit margin amounted to approximately 18.2% and approximately 18.3% for each of FY2015 and FY2016 respectively. The increase in the Company's profit for FY2016 was primarily due to an increase in revenue.

The increase in the Company's profit for FY2016 was partially offset by the following: (i) an increase in staff costs from approximately RMB1,884 million for FY2015 to approximately RMB2,861 million for FY2016 (representing an increase of approximately 52%) mainly attributable to an increase in workforce as a result of good sales performance and the commencement of production at two new production facilities; (ii) a decrease in the export sales of the Group from approximately RMB1,837 million for FY2015 to approximately RMB1,434 million for FY2016 (representing a decrease of approximately 22%) as the Group took a more conservative approach to contain financial risks in export markets which continued to be affected by political and social instability in FY2016; (iii) an increase in the expenses incurred from the amortization of the Group's intangible assets (consisting primarily of capitalized research and development costs) from approximately RMB516 million for FY2015 to approximately RMB877 million for FY2016 (representing an increase of approximately 70%) and (iv) an increase in the depreciation of the Group's plant and machinery (consisting primarily of the Group's facilities for the production of vehicles and automobile parts) from approximately RMB589 million for FY2015 to approximately RMB734 million for FY2016 (representing an increase of approximately 25%).

Financial results for FY2015 compared with the year ended 31 December 2014 ("FY2014")

Revenue

The consolidated revenue of the Company amounted to approximately RMB21,738 million and RMB30,138 million for each of FY2014 and FY2015 respectively, representing an increase of approximately 39% for FY2015 as compared with that for FY2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2015 Annual Report, the Group's financial performance improved in FY2015. The increase in the Group's consolidated revenue for FY2015 as compared to those of FY2014 was primarily due to the higher sales volume of the Group's vehicles in the China market which constituted approximately 95% of the total sales volume of the Group's vehicles for FY2015. The Group sold 510,097 units of vehicles in FY2015, representing an increase of approximately 22% as compared with that in FY2014, and exceeded the Group's sales volume target of 450,000 units by approximately 13%. This reflected the good market response in mainland China to the new car models launched by the Group during the second half of FY2014 and the first half of FY2015 which together contributed approximately 66% of the total sales volume of the Group's vehicles for FY2015. The year-to-year increase in the Group's sales volume in the China market of approximately 35% for FY2015 exceeded the 7.3% year-to-year growth in the overall China's passenger vehicle market in 2015, according to CAAM. According to the 2015 Annual Report, the Group's strong sales growth in FY2015 was also partly due to a low base for comparison in FY2014, as its sales performance in mainland China in FY2014 was affected by the restructuring of the Group's sales and marketing system in mainland China and the commencement of a major model upgrading cycle.

Profit

Profit attributable to equity holders of the Company amounted to approximately RMB1,431 million and RMB2,261 million for each of FY2014 and FY2015 respectively, representing an increase of approximately 58% for FY2015 as compared with that for FY2014. The gross profit margin amounted to approximately 18.2% and 18.2% for each of FY2014 and FY2015 respectively. The increase in the Company's profit for FY2015 was primarily due to an increase in revenue.

The increase in the Company's profit for FY2015 was partially offset by the following: (i) a decrease in the export sales of the Group from approximately RMB4,092 million for FY2014 to approximately RMB1,837 million for FY2015 (representing a decrease of approximately 55%) due to the continued slowdown in the motor vehicle markets in some of the Group's major export markets including Russia, Ukraine and South America which were affected by political and social instability; (ii) an increase in staff costs from approximately RMB1,482 million for FY2014 to approximately RMB1,884 million for FY2015 (representing an increase of approximately 27%) mainly attributable to an increase in workforce as a result of good sales performance and the commencement of production at new production facilities; (iii) an increase in the expenses incurred from the amortization of the Group's intangible assets (consisting primarily of capitalized research and development costs) from approximately RMB291 million for FY2014 to approximately RMB516 million for FY2015 (representing an increase of approximately 77%); and (iv) an increase in the depreciation of the Group's plant and machinery (consisting primarily of the Group's facilities for the production of vehicles and automobile parts) from approximately RMB554 million for FY2014 to approximately RMB589 million for FY2015 (representing an increase of approximately 6%).

Strategies of the Group

Product mix

As stated in the 2016 Annual Report, the Group plans to consolidate and enhance its product portfolio and thus brand image by focusing on relatively higher-end automobiles. In FY2014, as part of the Group's efforts to improve product mix, the Group consolidated its previous product brands "GLEagle", "Emgrand" and "Englon" into a single brand called "Geely". Since then, the Group has launched a number of product

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

series at higher prices and new versions of aging models. During the second half of FY2014 and the first half of FY2015, new car models launched by the Group include New Emgrand (an upgraded version of the Group's flagship mid-size sedan model "EC7" which targets the mid-end market), New Vision (a new version of Geely's "Vision" sedan, one of the Group's most popular sedan models which targets the mid-end market) and Geely GC9 (the Group's B-segment flagship car which targets the high-end market).

Given the strong demand for SUVs in China, the Group launched a number of SUVs in FY2016. The new models launched by the Group in FY2016 include Geely Boyue (a high-end mid-size SUV model), Vision SUV (a mid-end mid-size SUV model), Emgrand GS (the Group's first crossover SUV model which targets the mid-end market) and Emgrand GL (a new A+ segment sedan model). The "New Emgrand" model which was launched by the Group in FY2015, performed strongly and contributed approximately 28% of the total sales volume of the Group's vehicles for FY2016.

As stated in the 2017 Interim Report, for 1H2017, the Group's "Emgrand" series, comprising "New Emgrand" and its new energy vehicle ("NEV") versions were the Group's most popular model in terms of sales volume, which (i) reached a combined sales volume of 117,718 units during the period, (ii) represented an increase of approximately 10% compared to that for 1H2016, and (iii) accounted for approximately 22% of the Group's total sales volume for 1H2017. Geely Boyue was also a key contributor to the Group's overall sales volume. The sales volume of Geely Boyue was 116,932 units, which increased by more than 500% as compared to that for 1H2016, and constituted approximately 22% of the Group's overall sales volume during the period. The Group introduced a new compact SUV model "Vision X1" which targets the mid-end market in May 2017 to further enrich the Group's product portfolio in the SUV and crossover segments. The aggregate sales volume of the Group's SUV models including "Geely Boyue", "Vision SUV" and "Vision X1" amounted to 178,758 units for 1H2017, which increased by more than 400% as compared to that of 1H2016, and accounted for approximately 34% of the Group's total sales volume for 1H2017.

While the sales volume of the models launched by the Group in recent years continued to increase, the contribution of the Group's lower end models such as Geely Panda and Free Cruiser to the total sales volume of the Group's vehicles continued to decrease. As a result, the average ex-factory selling price increased from RMB51,536 per unit for FY2014 to RMB68,993 per unit for FY2016. Compared to that for 1H2016, the average ex-factory selling price for 1H2017 increased by approximately 16%.

Research and development

The Group also plans to invest more resources in research and development and technological innovation. We understand from the Company that the improvement in and upgrading of the Group's products was primarily attributable to the significant product development investments made by the Group in recent years, including the funding for research and development of new vehicle platforms and new models, the acquisition of certain targets with the capabilities to manufacture higher-end vehicles and the financing of the expansion and upgrading of production facilities at existing plants. As stated in the 2016 Annual Report, going forward, the Group intends to continue to invest in research and development of vehicle quality and safety, NEV and smart car, and the application of internet, computer and mobile communication technologies in its products and services in view of the increasing demand from consumers for vehicle products and services in these areas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the 2016 Annual Report that one of the Group's key product development activities was the Group's cooperation with Volvo Car Corporation to develop the CMA which serves as a platform to improve drivability and provide a range of compact car design options. The Company states that the CMA will not only deliver world-class product technologies and attributes, but also considerable cost saving in terms of development, testing and sourcing, leading to the realization of significant economies of scale.

We understand from the 2017 Interim Report that the Group plans to launch different models of new sedans and SUVs in 2017 and 2018, including among other models, a high-end brand called "Lynk & Co" with Lynk & Co 01 Model, Lynk & Co 02 Model and Lynk & Co 03 Model being the CMA based models.

We understand from the 2016 Annual Report and the 2017 Interim Report that in addition to the launch of new models, the Group will upgrade existing major models by incorporating its latest advanced technologies such as more advanced powertrain to these models to make them more environmentally friendly and fuel efficient.

Sales targets

As stated in the 2016 Annual Report, the Group originally targeted to sell 1 million units of vehicles in FY2017. We understand from the 2017 Interim Report, the total sales volume in the first half of 2017 reached 530,627 units of vehicles, representing an increase of approximately 89% from the same period last year, and achieving around 53% of the Group's original full year sales volume target of 1 million. In light of the Group's strong sales performance, the Group's management team decided to revise upward the full year sales volume target by 10% to 1.1 million units of vehicles, representing an increase of approximately 44% as compared to the volume of the Group's vehicles sold in FY2016.

We note that the proportion of domestic sales contributing to total sales continued to increase in recent years. As stated in the 2016 Annual Report and the 2017 Interim Report, however, the Group believed that the sales performance of the Group may be affected by more intense domestic competition. The Group did not expect export sales to recover in near future due to political and social instability in its major export markets but as stated in the 2016 Annual Report, the low level of export sales over the past few years may lead to strong accumulated vehicle demand in the coming years. We understand from the 2017 Interim Report that the Group believes the launch of the Group's new global brand "Lynk & Co" in cooperation with the Geely Holding Group and the Volvo Car Group should put the Group in a much stronger position to compete in the global automobile market.

Reasons for and benefits of the Joint Venture Agreement

Upon establishment, the JV Company will be principally engaged in the manufacturing and sale of vehicles under the Lynk & Co brand and the provision of after-sale services relating thereto. The Group has been moving its products to higher range at higher prices, such as the introduction of Geely GC9 (B-segment sedan) and Geely Boyue (A-segment SUV). The JV Formation for the manufacture and sale of vehicles under the Lynk & Co brand in cooperation with an international brand represents another initiative of this high-end strategy.

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The production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model which are the first three car models under the Lynk & Co brand, will require the utilisation of the CMA as well as the technologies developed by CEVT and Ningbo Research. We understand from the Company that the Lynk & Co brand targets customers with a relatively higher spending power when compared to other existing models under the Geely brand which are economy automobiles that are practical, lightweight with lower retail prices. Both CEVT and Ningbo Research are research and development centres which are non-wholly owned by Geely Holding. The Volvo Car Corporation has provided valuable assistance to the establishment of CEVT and contributed tremendously to the development of the CMA. We understand from the Company that the Volvo Car Corporation will also produce CMA based models under the Volvo brand. It is contemplated that certain technology rights in relation to the production of vehicles under the Lynk & Co brand developed by CEVT and Ningbo Research, will be transferred to the JV Company in due course. The Group has been manufacturing and selling motor vehicles in the PRC for over 20 years. The Group has been successfully competing with different motor vehicle brands in the market. We understand that it has been a significant business strategy of the Group to establish and develop high-end cars, including the Lynk & Co models using the CMA developed by CEVT and Ningbo Research with a view to improving the Group's performance. We consider that the formation of a joint venture is merely a business model to carry out the above business strategy to develop the Lynk & Co business and the JV Formation does not by itself create any additional competition.

It is further contemplated that the Lynk & Co 01 Model will be produced by the Disposal Company in the fourth quarter of 2017 after the Disposal while the Lynk & Co 02 Model and the Lynk & Co 03 Model will be produced by the JV Company in early 2018 after its acquisition of the 100% equity interests in Kai Yue, a non-wholly owned subsidiary of Geely Holding as at the Latest Practicable Date, which holds production facilities located in Zhangjiakou City, Hebei Province, the PRC (the "**Zhangjiakou Plant**"). We understand from the Company that the factory held by the Disposal Company is not currently in use. After the Disposal, the Company advised that the Disposal Company will manufacture other models of Volvo Car Corporation in addition to the Lynk & Co 01 Model. Accordingly, the Company considers that it would be inappropriate for the Company to sell the Disposal Company to the JV Company which according to the current business plan, will principally be engaged in the manufacturing and sale of models under the Lynk & Co brand. The Company considers that it would not be in the best interest of the Company and the Shareholders as a whole to have the Lynk & Co 01 Model manufactured by Kai Yue even when the Zhangjiakou Plant is ready for the commercial production for the Lynk & Co 02 Model and the Lynk & Co 03 Model, as it would be costly for Kai Yue to relocate the production line for the manufacturing of the Lynk & Co 01 Model taking into account the additional planning costs, set-up costs, machinery costs, test-run and trial costs etc Kai Yue would incur.

The JV Company also plans to acquire 100% equity interests in Lynk & Co Sales, a non-wholly owned subsidiary of the Company as at the Latest Practicable Date, which will be responsible for the establishment of Lynk & Co's dealer network, sales and marketing and after-sale services in the PRC.

The Board considers that the JV Formation will allow the Company, through its 50% equity interests in the JV Company, to participate in the operation of the Lynk & Co business, which will be marketed globally striving towards a premium position, and is expected to broaden the income stream of the Group and further strengthen the Group's market position in the automobile market.

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THE JOINT VENTURE AGREEMENT

Principal Terms of the Joint Venture Agreement

Date: 4 August 2017

Parties: (1) Zhejiang Jirun;
(2) Zhejiang Haoqing; and
(3) VCI

Term

The term of the JV Company shall have a term of 50 years, commencing on the date on which the business license of the JV Company is first issued which is expected to be no later than 31 October 2017 upon the fulfillment of all the conditions precedent as stipulated under the Joint Venture Agreement.

Business scope and business of the JV Company

The business scope of the JV Company is to engage in the manufacturing and sale of vehicles under the Lynk & Co brand, and the provision of after-sale services relating thereto.

The JV Company shall be established as a holding company for all relevant entities and assets to own and operate the business as described above. The JV Company shall, immediately after its formation and in each case subject to acceptance of the applicable due diligence results by all JV Parties and upon terms and conditions of the applicable definitive agreements to be entered into by the JV Company and the applicable parties, acquire the following entities and assets:

- (i) 100% equity interests in Kai Yue which shall be responsible for the production of the Lynk & Co 02 Model and the Lynk & Co 03 Model; and
- (ii) 100% equity interests in Lynk & Co Sales which (a) shall be responsible for the establishment of Lynk & Co's dealer network, sales and marketing and after-sale services in the PRC; (b) shall establish a subsidiary to own the intellectual properties in respect of the technology for use in the production of the Lynk & Co 01 Model, and to bear the royalties for use of the CMA in the production of the Lynk & Co 01 Model; and (c) shall establish another subsidiary to be responsible for the sale of vehicles under the Lynk & Co brand and the provision of after-sale services relating thereto outside the PRC.

Pursuant to the Joint Venture Agreement, the technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model developed by CEVT and Ningbo Research shall be transferred to and owned by the JV Company or its designated subsidiaries pursuant to the relevant technology transfer agreement(s) and/or technology development agreement(s) to be entered into between the JV Company and the applicable parties.

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As at the Latest Practicable Date, the JV Parties had not identified any material due diligence issues and did not foresee any major obstacles in reaching definitive agreements for the above transactions after the making of the Initial Capital Contributions.

Capital contributions

The registered capital of the JV Company shall be RMB7,500 million. Zhejiang Jirun, Zhejiang Haoqing and VCI shall subscribe to RMB3,750 million, RMB1,500 million and RMB2,250 million in cash, respectively, which constitute 50%, 20% and 30% of the registered capital of the JV Company, respectively (the “**Initial Capital Contributions**”).

The timing for the JV Parties to make their respective contributions to the registered capital of the JV Company shall be mutually determined and agreed by the JV Parties based upon the business needs of the JV Company. The JV Parties are expected to make the Initial Capital Contributions in full by no later than 30 November 2017. The JV Parties shall only be obligated to make their respective Initial Capital Contributions after the JV Company has obtained its business license setting out information which is consistent with the terms of the Joint Venture Agreement.

Any additional financing which the JV Company may require from time to time over the amounts described above, may be raised by means of equity interest holder’s loans on commercial terms, equity contributions by the JV Parties or loans from commercial banks or other parties. Notwithstanding the foregoing, no JV Party shall have any obligation to provide any financing to the JV Company other than making its contributions to the JV Company’s registered capital as described above.

We understand from the Company that it plans to launch the Lynk & Co 01 Model in the fourth quarter of 2017 and to launch the Lynk & Co 02 Model and the Lynk & Co 03 Model by the first half of 2018. In order to meet the above timetable, the JV Company plans to acquire Lynk & Co Sales and the technology rights for the Lynk & Co 01 Model soon after the establishment of the JV Company this year, and plans to further acquire Kai Yue and the technology rights for the production of the vehicles for the Lynk & Co 02 Model and the Lynk & Co 03 Model later this year.

The Company expects that the Initial Capital Contribution payable by Zhejiang Jirun would be funded by the internal resources of the Group.

The registered capital of the JV Company may be increased or reduced during the term of the Joint Venture Agreement as a result of any changes to the JV Company’s production scale. Any increase or decrease in the registered capital of the JV Company must be mutually agreed by the JV Parties and unanimously approved by the JV Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Funding Needs of the JV Company and the Basis of Determination for the Initial Capital Contributions

We understand from the Company that the initial funding needs of the JV Company are summarized as follows:

Estimated initial capital requirements of the JV Company				
<i>Approximately (RMB million)</i>				
	2017	2018		Total
	Second half	First half	Second half	
(i) Acquisition of 100% equity interests in Kai Yue and development of Kai Yue	3,000	300	200	3,500
(ii) Transfer and development of the technology rights for the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model	4,400	600	0	5,000
(iii) Acquisition of Lynk & Co Sales	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
Total	<u>7,500</u>	<u>900</u>	<u>200</u>	<u>8,600</u>

The Initial Capital Contributions of RMB7,500 million are intended to be used to finance the above funding needs in 2017.

As at the Latest Practicable Date, the principal asset of Kai Yue is the Zhangjiakou Plant for the production of the vehicles under the Lynk & Co 02 Model and the Lynk & Co 03 Model. The construction work of the production facilities held by Kai Yue has recently been completed and it is expected that trial production will commence in the second half of 2017 before commercial production can take place in early 2018. The consideration payable by the JV Company for the acquisition of Kai Yue will be based on the then net assets value of Kai Yue at the time of the relevant acquisition which shall be reviewed by a qualified accountant approved by the JV Company. The Company expects the JV Company to use part of the Initial Capital Contributions to settle the acquisition consideration and some future development of Kai Yue in 2017.

As at the Latest Practicable Date, Lynk & Co Sales has not commenced any business operation. The consideration payable by the JV Company for the acquisition of Lynk & Co Sales will be based on the then registered capital of Lynk & Co Sales contributed by the Group at the time of the relevant acquisition. We understand from the Company that the JV Parties decided to use the registered capital of Lynk & Co Sales as the basis of determination for the acquisition consideration, as Lynk & Co Sale is newly established and no material activities have been and are expected to be carried out prior to the acquisition. The amount of

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RMB100 million represents the amount of the registered capital of Lynk & Co Sales, and we understand from the Company that such amount of registered capital was determined based on the Company's knowledge of market practices. The Company expects the JV Company to use part of the Initial Capital Contributions to settle the acquisition consideration.

The consideration payable by the JV Company for the transfer of the technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model will be with reference to, the actual costs incurred by Geely Holding Group for the research and development of the respective technologies at the time of the relevant transfer after the related development work of CEVT and Ningbo Research has been completed. The actual cost of development shall be reviewed by a qualified accountant approved by the JV Company. The Company expects the JV Company to use part of the Initial Capital Contributions to settle the estimated payments in 2017. The remaining balance of the acquisition considerations will be settled by other funding sources as described below.

We understand from the Company that the total amount of the Initial Capital Contributions is determined, after arm's length negotiations between the JV Parties, based on the projected funding needs for the acquisitions of Kai Yue, Lynk & Co Sales and the technology rights for the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model in 2017 which in turn are estimated with reference to the latest net assets value of Kai Yue as at 30 June 2017, the current registered capital of Lynk & Co Sales and the recent actual plus the estimated additional development costs of the technologies for the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model respectively.

The actual considerations for the above proposed acquisitions may differ from the above estimated amounts. In case of any negative findings being identified during the due diligence review on Kai Yue, Lynk & Co Sales (e.g. any contingent liabilities, impairment of assets or other issues which shall have an adverse impact on the balance sheet items) or the three technologies, we understand from the Company that the consideration for the acquisition of Kai Yue, Lynk & Co Sales and/or the three said technologies will be reduced accordingly based on the related negative due diligence findings. If the total actual consideration for the above proposed acquisitions is less than the Initial Capital Contributions, any excess capital contributed to the JV Company will be used as general working capital for the JV Company.

We also understand from the Company that additional funding of RMB1,100 million may be needed by the JV Company which is to be used as follows:

1. approximately RMB500 million will be utilized to meet certain capital requirements of Kai Yue in 2018 including the acquisition of machinery and equipment; and
2. approximately RMB600 million will be utilized to partially settle the acquisition consideration for certain technology rights for the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model in the first half of 2018.

The above funding needs may be financed by equity interest holder's loans on commercial terms and/or loans from commercial banks or other parties to be considered by the JV Board and all directors of the JV Board (or their proxies) must be present to form a quorum for a board meeting. Any additional funding

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provided to the JV Company by Zhejiang Jirun may be subject to the announcement, reporting and/or shareholder's approval requirements under the Listing Rules. We understand that debt financing is a usual means of financing in the automobile companies and/or joint ventures in the PRC.

Sharing of profits and risks

Profits, risks and losses of the JV Company shall be shared by the JV Parties in proportion to their respective equity interest in the JV Company's registered capital.

Composition of the JV Board

The JV Board shall consist of four directors. Zhejiang Jirun shall appoint two directors (one of whom shall be chairman of the JV Board), Zhejiang Haoqing shall appoint one director and VCI shall appoint one director. Each director shall be appointed for a term of three years and may serve consecutive terms if re-appointed by the JV Party originally appointing him/her.

The chief executive officer and the chief financial officer of the JV Company shall be nominated by Zhejiang Jirun and appointed by the JV Board for a term of three years and may serve consecutive terms if re-nominated by Zhejiang Jirun and re-appointed by the JV Board.

Appointment of supervisors

The JV Company shall have two supervisors with one being appointed by Zhejiang Jirun and the other one being appointed by VCI. Each supervisor shall be appointed for a term of three years and may serve consecutive terms if re-appointed.

Supervisor is a compulsory position required under the Company Law of the PRC. Among other things, the supervisors of the JV Company are empowered to supervise the performance of the JV Board and propose the dismissal of the directors or other officers of the JV Company who have violated the laws, the articles of association of the JV Company or the resolutions of the JV Board, to investigate any irregularities pertaining to the operation of the JV Company and to initiate legal proceedings against any officers who act beyond their powers or act against the laws.

Transfer of equity interest

If a JV Party intends to transfer any of its equity interest in the JV Company to any of the other JV Parties or third parties, it must notify in writing the other JV Parties and the JV Company of this intention promptly and in any event not later than 5 days after the JV Party's execution of any letter of intent, memorandum of understanding, term sheet, non-disclosure agreement and/or other preliminary documentation in respect of this intended transfer.

Financial effect of the Initial Capital Contributions

Upon completion of the JV Formation, the Company will indirectly own 50% of the equity interest in the JV Company, and the JV Company will be treated as a joint venture by the Company. As such, the JV Company will be equity accounted for in the financial statements of the Group as confirmed by the external

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auditor of the Company, and the profit and loss of the JV Company will be included in the consolidated results of the Group. Upon the completion of the capital contribution to the registered capital of the JV Company by Zhejiang Jirun, relevant cash and bank balances of a total amount of RMB3,750 million will be re-classified as an interest in a joint venture in the consolidated financial statements of the Group. The Group's total assets and liabilities will remain unchanged and the working capital of the Group will decrease by RMB3,750 million, being the Initial Capital Contribution to be made by Zhejiang Jirun. As the JV Company will be newly formed and the Initial Capital Contribution to be made by Zhejiang Jirun is expected to be funded from the internal resources of the Group, the establishment of the JV Company is not expected to have any immediate material impact on the earnings of the Group.

Due to the following reasons, we agree with the Company that the Group would have sufficient resources to fund the Initial Capital Contribution of RMB3,750 million which is payable by Zhejiang Jirun by 30 November 2017:

1. The Group has sufficient cash balance and inflow from operations – the Group had cash and bank balance of approximately RMB20,774 million as at 30 June 2017 and net cash generated from operating activities of approximately RMB8,144 million during 1H2017;
2. The Group has a healthy business – As at 30 June 2017, the Group had net current assets of approximately RMB8,092 million; and
3. The Group has a low gearing ratio – As at 30 June 2017, the Group's gearing ratio which was calculated on the basis of the Group's total borrowings (inclusive of the 5-year US\$300 million 5.25% senior notes due 2019 but exclusive of trade and other payables) was 7.2%.

OUR OPINION

In assessing the fairness and reasonableness of the terms of the Joint Venture Agreement, we have reviewed the Joint Venture Agreement and noted the following principal reasons and factors:

1. The JV Formation is only for the business purpose as set out in the Joint Venture Agreement. Such purpose is in line with the Group's development strategy of focusing on relatively higher-end automobiles, as the JV Formation will allow the Company, through its 50% equity interest in the JV Company, to participate in the operation of the Lynk & Co business, which will be marketed globally striving towards a premium position and is expected to broaden its income stream and further strengthen its market position in the automobile market.

The JV Formation will also provide a platform for the JV Parties to pool together their respective financial resources and industry expertise to develop and sell vehicles under the new Lynk & Co brand. In particular, the Group will be able to leverage on the expertise and brand image of the Volvo Car Group which has contributed tremendously to the development of the CMA. In addition, the Group can reduce the amount of capital needed to be provided by it through the JV Formation. This will benefit the Group in terms of risk diversification.

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The entering into of the Joint Venture Agreement is therefore commercially justifiable and fair and reasonable. Capital injections to the JV Company are for a proper purpose and based on business needs and the plans made by the JV Company to acquire Kai Yue, Lynk & Co Sales and certain technology rights for the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model. As at the Latest Practicable Date, the JV Parties, based on the due diligence exercise they had conducted so far, had not identified any major obstacles in implementing their acquisition plans. We have inquired of the Company about the bases of determination for the acquisition considerations and consider the total amount of the estimated acquisition considerations forms a reasonable basis for determining the amount of the Initial Capital Contributions.

2. Initial Capital Contributions, profit sharing and representations on the board and supervisory committee by each of the JV Parties are proportional to the percentage of their respective equity interests in the JV Company. We consider this to be equitable among all JV Parties and no less favourable to Zhejiang Jirun.
3. Zhejiang Jirun will have the right to appoint the chairman of the JV Board and the chief executive officer and the chief financial officer of the JV Company in addition to its proportionate right to representation on the JV Board and the supervisory committee of the JV Company. This will ensure the Group can be involved in the strategic decision making of the JV Company.

RECOMMENDATION

Having considered the above principal factors and reasons, we are on the view that the terms of the JV Formation under the Joint Venture Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Joint Venture Agreement.

Yours faithfully,
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

Mr. Allen Tze is a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 17 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules were as follows:

(i) Director's and chief executive's interests and short positions in the shares of the Company

Name of director	Nature of interests	Number of attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (<i>Note 1</i>)	Interest in controlled corporations	3,925,464,000	-	43.86
Mr. Li Shu Fu	Personal	23,140,000	-	0.25
Mr. Yang Jian	Personal	14,475,000	-	0.16
Mr. Li Dong Hui, Daniel	Personal	4,200,000	-	0.05
Mr. Gui Sheng Yue	Personal	14,300,000	-	0.16
Mr. An Cong Hui	Personal	16,280,000	-	0.18
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	-	0.05
Ms. Wei Mei	Personal	4,170,000	-	0.05
Mr. Lee Cheuk Yin, Dannis	Personal	350,000	-	0.004
Mr. Yeung Sau Hung, Alex	Personal	200,000	-	0.002

Note:

- Proper Glory Holding Inc. ("**Proper Glory**") and its concert parties in aggregate hold securities' interest of 3,925,464,000 shares, representing approximately 43.86% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited.

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

Name of director	Nature of interests	Number of attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Share Options				
Mr. Li Shu Fu (<i>Note 1</i>)	Interest in controlled corporations	175,600,000	-	1.96
Mr. Yang Jian	Personal	9,000,000 (<i>Note 2</i>)	-	0.10
Mr. Li Dong Hui, Daniel	Personal	3,500,000 (<i>Note 3</i>)	-	0.04
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	4,700,000 (<i>Note 2</i>)	-	0.05
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	900,000 (<i>Note 2</i>)	-	0.01
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	200,000 (<i>Note 2</i>)	-	0.002
Mr. Lee Cheuk Yin, Dannis	Personal	500,000 (<i>Note 4</i>)	-	0.006
Mr. Yeung Sau Hung, Alex	Personal	200,000 (<i>Note 2</i>)	-	0.002
Mr. Yeung Sau Hung, Alex	Personal	500,000 (<i>Note 4</i>)	-	0.006
Mr. An Qing Heng	Personal	750,000 (<i>Note 4</i>)	-	0.008
Mr. Wang Yang	Personal	1,000,000 (<i>Note 4</i>)	-	0.01

Notes:

1. Mr. Li Shu Fu and his concert parties in aggregate hold derivatives' interest of 175,600,000 shares, representing approximately 1.96% of the issued share capital of the Company as at the Latest Practicable Date.
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 as 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 as 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 as 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 the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	-	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	-	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	-	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	-	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	-	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	-	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	-	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	-	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	-	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	-	(Note 9)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 10)	-	(Note 10)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	-	(Note 11)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 12)	-	(Note 12)
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	(Note 13)	-	(Note 13)
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	(Note 14)	-	(Note 14)
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	(Note 15)	-	(Note 15)

Notes:

1. Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by 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 owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, a brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu 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 Shu Fu 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 Shu Fu 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 Shu Fu and his associate.
6. Zhejiang Jirun Automobile Company Limited (“**Zhejiang Jirun**”) is 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 Shu Fu and his associate.
7. Shanghai Maple Guorun Automobile Company Limited (“**Shanghai Maple**”) is 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 Shu Fu and his associate.
8. Zhejiang Kingkong Automobile Company Limited is 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 Shu Fu and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is 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 Shu Fu and his associate.
10. Hunan Geely Automobile Components Company Limited is 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 Shu Fu 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 Shu Fu 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 Shu Fu and his associate.
13. Baoji Geely Automobile Components Company Limited 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 Shu Fu and his associate.
14. Shanxi Geely Automobile Components Company Limited 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 Shu Fu and his associate.
15. Zhejiang Jirun Chunxiao Automobile Components Company Limited 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 Shu Fu and his associate.

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

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

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

Name	Nature of interests	Number of shares held		Approximate percentage of shareholding (%)
		Long position	Short position	
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	-	29.46
Geely Holding (Note 1)	Interest in controlled corporation	3,925,377,000	-	43.86
Geely Group Limited (Note 1)	Beneficial owner	87,000	-	0.001
	Interest in controlled corporation	2,636,705,000	-	29.46
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	-	8.67

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 private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu 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 Shu Fu and his associate.

Mr. Li Shu Fu 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. FURTHER INFORMATION CONCERNING DIRECTORS

A. Directors’ service agreements

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

B. Competing interests

The Group is principally engaged in the research, production, marketing and sales of 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.

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd (the “**Proton Acquisition**”). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has not been completed as at the Latest Practicable Date. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, it is expected that Geely Holding will in respect of the Proton Acquisition provide an undertaking similar to that of the Volvo Acquisition to the Group upon completion of the acquisition.

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

C. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR 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 2016, 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.

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 announcements dated 13 November 2015 and 18 October 2016, 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 with an aggregate largest annual cap of RMB100,974,729,000.

- *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 announcements dated 13 November 2015 and 18 October 2016, 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 with an aggregate largest annual cap of RMB128,618,864,000.

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' meetings 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 with the largest annual cap being RMB1,500,000,000.

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 and the supplemental electric vehicle agreement between the Company and Geely Holding (the electric vehicle agreement and the supplemental electric vehicle agreement have an effective term until 31 December 2018)*

Pursuant to the electric vehicle agreement dated 13 November 2015 and the supplemental electric vehicle agreement dated 5 October 2016, 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 with the largest annual cap being RMB9,487,180,000.

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

The Shareholders' meetings in respect of the aforesaid electric vehicle agreement and the supplemental electric vehicle agreement were held on 30 December 2015 and 28 November 2016, respectively, and the electric vehicle agreement and the supplemental electric vehicle agreement were 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 with the largest annual cap being RMB868,088,000.

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 with the largest annual cap being RMB70,827,000.

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 with the largest annual cap being RMB126,732,000.

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 (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (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 and 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 with the largest annual cap being RMB49,000 million.

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 with the largest annual cap being RMB11,000 million.

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.

- *Kandi automobile parts supply agreement between the Company and Kandi JV (the Kandi automobile parts supply agreement has an effective term until 31 December 2018)*

Pursuant to the Kandi automobile parts supply agreement dated 25 July 2016, the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB317,991,000.

As the applicable percentage ratios of the continuing connected transactions contemplated under the Kandi automobile parts supply agreement are less than 5% on an annual basis, the Kandi automobile parts supply 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.

- *EV CKD supply agreement between the Company and Geely Holding (the EV CKD supply agreement has an effective term until 31 December 2018)*

Pursuant to the EV CKD supply agreement dated 25 July 2016, the Group agreed to sell to the Geely Holding Group CKDs in accordance with the product specifications set out in the EV CKD supply agreement with the largest annual cap being RMB1,185,914,000.

As the applicable percentage ratios of the continuing connected transactions contemplated under the EV CKD supply agreement are less than 5% on an annual basis, the EV CKD supply 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.

D. DIRECTOR'S SERVICE CONTRACTS

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

4. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company have been made up.

6. QUALIFICATION OF EXPERT

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

Name	Qualification
REORIENT Financial Markets Limited	the Independent Financial Adviser

As at the Latest Practicable Date, the Independent Financial Adviser:

- (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 2016, 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.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the master disposal agreement dated 25 July 2016 entered into between the Company and Geely Holding pursuant to which the Group agreed to dispose of and Geely Holding Group agreed to acquire the equity interests in (i) 50% of the registered capital of the 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.); and (ii) 45% of the registered capital of 寧海知豆電動汽車有限公司 (Ninghai Zhidou Electric Vehicles Co., Ltd.). The aggregate consideration for the disposal is RMB1,346,486,590;
- (b) the acquisition agreement dated 1 June 2016 entered into between 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited) and 寶雞吉利汽車有限公司 (Baoji Geely Automobile Company Limited) (“**Baoji Geely**”), a wholly owned subsidiary of 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited) (“**Zhejiang Haoqing**”), pursuant to which 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited) agreed to acquire and Baoji Geely agreed to sell the entire issued share capital of 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited) for a consideration of RMB702,206,798; and

- (c) the acquisition agreement dated 1 June 2016 entered into between 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited) and 山西新能源汽車工業有限公司 (Shanxi New Energy Automobile Industrial Company Limited) (“**Shanxi Geely**”), a wholly owned subsidiary of 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited) (“**Zhejiang Haoqing**”), pursuant to which 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited) agreed to acquire and Shanxi Geely agreed to sell the entire issued share capital of 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited) for a consideration of RMB720,244,135.

8. GENERAL

- (d) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (f) 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.
- (g) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company’s principal place of business in Hong Kong at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM on Monday, 18 September 2017:

- (a) Joint Venture Agreement;
- (b) Articles of Association;
- (c) the memorandum and articles of association of the Company;
- (d) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2015 and 31 December 2016;
- (e) the contracts referred to in the paragraph headed “**MATERIAL CONTRACTS**” in this appendix;
- (f) the letter from the Independent Board Committee;

- (g) the letter from the Independent Financial Adviser;
- (h) the written consent from the Independent Financial Adviser referred to in the paragraph headed “QUALIFICATION OF EXPERT” 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 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, 18 September 2017 at 4:30 p.m. or at any adjustment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

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

“THAT:

- a) the joint venture agreement dated 4 August 2017 (the “**Joint Venture Agreement**”) entered into between Zhejiang Jirun, Zhejiang Haoqing and VCI in relation to the formation of the JV Company (the “**JV Formation**”) (details of the Joint Venture Agreement and the JV Formation are set out in the Company’s circular dated 1 September 2017 (the “**Circular**”) and copies of the Joint Venture Agreement and the Circular have been tabled at the meeting and marked “**A**” as initialed by the chairman of the EGM for the purpose of identification) and the transaction(s) contemplated thereunder be and are hereby approved, confirmed and ratified; and
- b) the directors of the Company be and are hereby authorized to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Joint Venture Agreement and the transaction(s) contemplated thereunder.”

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

Hong Kong, 1 September 2017

NOTICE OF THE EGM

Notes:

- (1) Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.
- (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 EGM 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.