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

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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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The logo for Geely, consisting of the word "GEELY" in a bold, blue, sans-serif font.

吉利汽車控股有限公司

**GEELY AUTOMOBILE HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE  
LYNK & CO FINANCING ARRANGEMENTS  
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**



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A letter from the Independent Board Committee is set out on pages 21 to 22 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 23 to 51 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 Wednesday, 27 December 2017 at 4:00 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.

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group, which is engaged in consumer credit and mortgage lending activities
“Board”	the board of Directors
“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 thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps)
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the Latest Practicable Date
“Geely Luoyou”	浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited*), a limited liability company incorporated in the PRC, and is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date
“Genius AFC”	吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.*), a vehicle financing company established under the laws of PRC, which the Company and BNPP PF are interested in 80% and 20% of its registered capital, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, which comprises all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the terms of the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps)
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps)
“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
“Latest Practicable Date”	4 December 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”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and is owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively as at the Latest Practicable Date
“LYNK & CO Finance Cooperation Agreement”	the cooperation agreement entered into between Genius AFC and LYNK & CO Sales on 3 November 2017 which sets out, among other things, the terms on which Genius AFC will supply vehicle financing services to the LYNK & CO Dealers and LYNK & CO Retail Customers, including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the LYNK & CO Finance Cooperation Agreement; (ii) the LYNK & CO Wholesale Financing Business; and (iii) the LYNK & CO Retail Financing Business

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## DEFINITIONS

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“LYNK & CO Retail Customer(s)”	retail customers who purchase LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Retail Financing”	the provision by Genius AFC of vehicle loans and other financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Retail Financing Business”	one of the principal businesses to be carried out by Genius AFC regarding the provision of the LYNK & CO Retail Financing
“LYNK & CO Sales”	領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited*), a limited company established in the PRC and is a wholly owned subsidiary of LYNK & CO as at the Latest Practicable Date
“LYNK & CO Dealer(s)”	enterprises that are authorised under the terms of a franchise dealer agreement with LYNK & CO Sales to sell LYNK & CO-branded vehicles to LYNK & CO Retail Customers
“LYNK & CO Wholesale Financing”	the provision by Genius AFC of vehicle loans and other financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles from LYNK & CO Sales
“LYNK & CO Wholesale Financing Business”	one of the principal businesses to be carried out by Genius AFC regarding the provision of the LYNK & CO Wholesale Financing
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 44.02% interests in the total issued share capital of the Company as at the Latest Practicable Date
“PBOC”	the People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Retail Annual Caps”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the LYNK & CO Retail Customers) in respect of the LYNK & CO Retail Financing Business for each of the financial years ending 31 December 2018, 2019 and 2020 as set out under the paragraph headed “Retail Annual Caps”

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## DEFINITIONS

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“Retail Loan Agreement(s)”	financing agreements to be entered into between Genius AFC and the LYNK & CO Retail Customers which set out the terms of the loans to be provided by Genius AFC to the LYNK & CO Retail Customers for their purchase of LYNK & CO-branded vehicles
“Retail Loan Cooperation Agreement”	cooperation agreements to be entered into between Genius AFC and the LYNK & CO Dealers which govern, among other things, the arrangements between Genius AFC and the LYNK & CO Dealers in promoting the sale of the LYNK & CO Dealers and provision of vehicle loans from Genius AFC to the LYNK & CO Retail Customers
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited*), a private company incorporated in the PRC and is a 90% owned subsidiary of Geely Holding as at the Latest Practicable Date
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 wholly owned by Volvo Car Corporation as at the Latest Practicable Date
“Volvo Car Corporation”	an automobile manufacturer established in 1927 and headquartered in Gothenburg, Sweden, and is 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
“Wholesale Annual Caps”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the LYNK & CO Dealers) in respect of the LYNK & CO Wholesale Financing Business for each of the financial years ending 31 December 2018, 2019 and 2020 as set out under the paragraph headed “Wholesale Annual Caps”

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## DEFINITIONS

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“Wholesale Facility Agreement(s)”	financing agreements to be entered into between Genius AFC and the respective LYNK & CO Dealers which set out the terms of the loans to be provided by Genius AFC to such LYNK & CO Dealers for their purchase of LYNK & CO-branded vehicles
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a private company incorporated in the PRC and is a 90% owned subsidiary of Geely Holding as at the Latest Practicable Date
“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 90% owned subsidiary of Geely Holding 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 is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent

\* *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.*

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LETTER FROM THE BOARD

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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)

*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

8 December 2017

*To the Shareholders,*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
THE LYNK & CO FINANCING ARRANGEMENTS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 3 November 2017 in relation to the LYNK & CO Financing Arrangements. On 3 November 2017, the Company announced that Genius AFC and LYNK & CO Sales entered into the LYNK & CO Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the LYNK & CO Dealers and the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information, among other things, (i) information on the LYNK & CO Financing Arrangements; (ii) a letter from the Independent Board Committee and the recommendations of the Independent Financial Adviser in respect of the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps); and (iii) a notice of the EGM.

### **LYNK & CO FINANCING ARRANGEMENTS – THE LYNK & CO FINANCE COOPERATION AGREEMENT**

The principal terms of the LYNK & CO Finance Cooperation Agreement are set forth below:

#### **Date**

3 November 2017 (after trading hours)

#### **Parties**

- (i) Genius AFC; and
- (ii) LYNK & CO Sales

Genius AFC is a vehicle financing company established in the PRC, and is beneficially owned as to 80% and 20% by the Company and BNPP PF, respectively. Genius AFC is principally engaged in the provision of vehicle financing services in the PRC.

As at the Latest Practicable Date, LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and is owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 90% and 99% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% of the total issued share capital of the Company as at the Latest Practical Date. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

LYNK & CO Sales is principally engaged in the sales and marketing of LYNK & CO-branded vehicles and provision of after-sales services.

#### **Subject matters**

The LYNK & CO Finance Cooperation Agreement sets out the terms under which Genius AFC will provide vehicle financing services to the LYNK & CO Dealers and the LYNK & CO Retail Customers, including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO- branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers.

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## LETTER FROM THE BOARD

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### **Term**

The LYNK & CO Finance Cooperation Agreement shall have an initial term of three years and shall then continue unless and until terminated by either party by giving at least 6 months prior written notice. Such continuation/renewal shall be pre-approved by (i) the regulators of the Company (i.e. the Stock Exchange); and (ii) the Independent Shareholders.

### **Termination**

LYNK & CO Sales may terminate the LYNK & CO Finance Cooperation Agreement at any time if (i) Genius AFC becomes insolvent; or (ii) Genius AFC materially breaches, or materially fails to comply with, the LYNK & CO Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of LYNK & CO Sales giving Genius AFC written notice of such breach subject to the remediation clause under the LYNK & CO Finance Cooperation Agreement.

Genius AFC may terminate the LYNK & CO Finance Cooperation Agreement at any time if (i) LYNK & CO Sales becomes insolvent; or (ii) LYNK & CO Sales materially breaches, or materially fails to comply with, the LYNK & CO Finance Cooperation Agreement or any other agreement entered into or in connection with the LYNK & CO Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Genius AFC giving LYNK & CO Sales written notice of such breach subject to the remediation clause under the LYNK & CO Finance Cooperation Agreement.

### **Conditions precedent**

The LYNK & CO Finance Cooperation Agreement shall take effect upon:

- (i) the approval of the Independent Shareholders on the LYNK & CO Financing Arrangements; and
- (ii) the approval of the Stock Exchange on the LYNK & CO Financing Arrangements, as required.

The conditions precedent of the LYNK & CO Finance Cooperation Agreement above are to ensure the LYNK & CO Financing Arrangements shall only commence upon the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules being complied with.

### **Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales**

#### ***(i) Cooperation***

LYNK & CO shall (a) use its reasonable endeavours to procure the LYNK & CO Dealers to use the LYNK & CO Wholesale Financing and to recommend their retail customers to use the LYNK & CO Retail Financing provided by Genius AFC; (b) for a LYNK & CO Dealer who is covered by the LYNK & CO Wholesale Financing, use its reasonable endeavours to grant subsidies to the benefit of such LYNK & CO

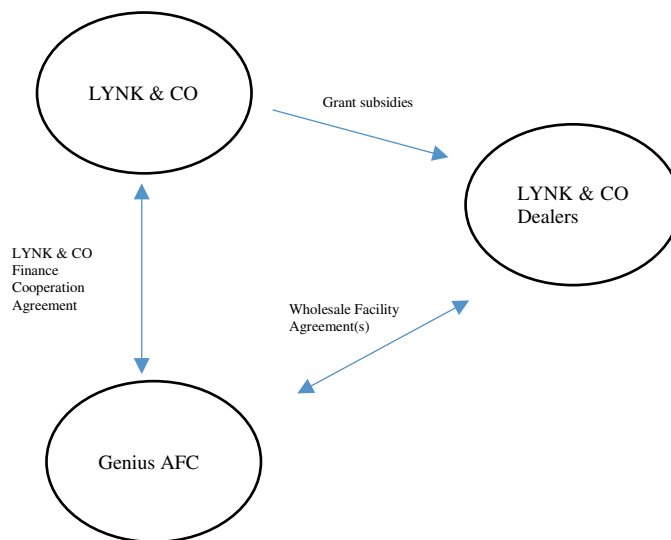
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## LETTER FROM THE BOARD

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Dealer in order to promote the LYNK & CO Wholesale Financing Business; and (c) for a LYNK & CO Dealer who is covered by the LYNK & CO Retail Financing, use its reasonable endeavours to grant subsidies for the promotional campaigns in relation to the LYNK & CO Retail Financing offered by Genius AFC to the LYNK & CO Retail Customers from such LYNK & CO Dealer, provided that the final choice of financial partner shall always be made by the LYNK & CO Dealers or the LYNK & CO Retail Customers. Genius AFC shall not be the exclusive provider of vehicle loans and other services particularly described in the LYNK & CO Finance Cooperation Agreement in the PRC to the LYNK & CO Dealers or the LYNK & CO Retail Customers, and other providers are and will also be appointed by LYNK & CO Sales to provide similar services. Notwithstanding the foregoing, shall another independent vehicle financing company offer financing services under the same conditions, Genius AFC shall be the preferred partner of LYNK & CO Sales (i.e. Genius AFC shall be firstly recommended by LYNK & CO Sales to LYNK & CO Dealers for the LYNK & CO Wholesale Financing and LYNK & CO Retail Financing than other independent vehicle financing companies). The LYNK & CO Wholesale Financing and LYNK & CO Retail Financing are summarized in the flow charts as below:

(1) *LYNK & CO Wholesale Financing*

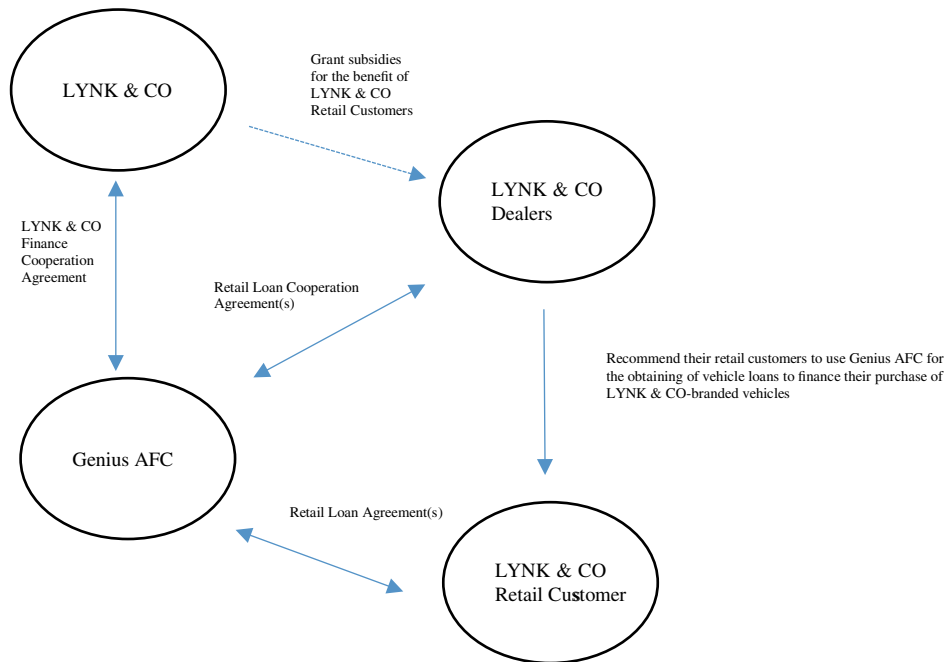


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## LETTER FROM THE BOARD

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(2) *LYNK & CO Retail Financing*



Pursuant to the LYNK & CO Finance Cooperation Agreement, the parties have agreed to work together to undertake promotional activities, incentives and training to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC. In this regard, subject to the completion of the LYNK & CO Finance Cooperation Agreement, a joint committee will be formed between LYNK & CO and Genius AFC comprising members from the respective sales and marketing departments, operation departments and information technology departments of both LYNK & CO and Genius AFC to undertake the abovementioned activities to promote the finance penetration of Genius AFC and the sale of the LYNK & CO-branded vehicles in the PRC.

**(ii) Pricing policy**

Given Genius AFC is not the exclusive provider of financing services to the LYNK & CO Dealers or the LYNK & CO Retail Customers, the fierce competition in the PRC auto finance market and that the LYNK & CO Dealers and the LYNK & CO Retail Customers are independent third parties to Genius AFC, Genius AFC's sales and marketing department will communicate with the LYNK & CO Dealers on an ongoing basis (including obtaining feedbacks from LYNK & CO Dealers on the range of lending rates and other major terms offered by other vehicle financing companies) to ensure that the terms of the Wholesale Facility Agreement and the Retail Loan Agreement are competitive at all times during the term of the LYNK & CO Finance Cooperation Agreement, and such terms shall be in line with general auto finance market practice. All loan and product pricing proposals are also prepared in accordance with the internal control procedures as disclosed in the section headed "Relevant Internal Control Measures – Internal Control within Genius AFC" on pages 15 to 16 of this circular. Genius AFC shall remain the sole decision maker for the final pricing of the services to be applied to the LYNK & CO Dealers and the LYNK & CO Retail Customers. The final pricing of the services will be determined by Genius AFC after consideration of

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## LETTER FROM THE BOARD

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various factors, including its cost of funds, the borrower's risk profile, which will be assessed by Genius AFC in accordance with the section headed "(iii) Lending Risk" below, as well as the lending rates offered by the competitors in ensuring the pricing is competitive.

The interest rates, at the time of each setting, for the loans to be provided by Genius AFC to the LYNK & CO Dealers and the LYNK & CO Retail Customers shall be higher than the lending base rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

### *(iii) Lending risk*

Genius AFC is primarily regulated by the China Banking Regulatory Commission ("CBRC"). In addition, People's Bank of China ("PBOC"), the Ministry of Finance of the PRC also have regulatory oversight of the automotive financing industry. CBRC and PBOC enacted the Measures for the Administration of Automotive Loans and the Measures for the Administration of Automobile Finance Companies, respectively to standardize the management of automotive loan business.

All lending risk assessments and decisions shall be the sole responsibility of Genius AFC, and such decisions shall conform to applicable regulatory requirements. The extension of financing in any form to any LYNK & CO Dealer or any LYNK & CO Retail Customer is subject to satisfactory credit risk assessment in accordance with the Genius AFC's credit risk management procedures (one example would be assessing the debt-to-asset ratio of LYNK & CO Dealer) and the internal risk and management policies for the retail and wholesale financing businesses which were prepared by the risk and operation departments and approved by the board of Genius AFC, as from time to time determined by Genius AFC at its sole discretion.

In relation to the credit risk assessment procedures for the LYNK & CO Wholesale Financing Business, the risk department of Genius AFC will review the credit applications with supporting materials submitted by the LYNK & CO Dealers and will prepare proposals for the granting of credit lines. The risk control committee of Genius AFC will appraise and make decisions on the granting of credit lines.

The credit application shall be subject to Genius AFC board's approval for granting of credit lines exceeding the internal threshold set by Genius AFC. In addition to the aforesaid assessment on the debt-to-asset ratios of the LYNK & CO Dealers, other factors will also be taken into the consideration including, but not limited to, company background, its experience in the automobile industry as well as the brand (for instance, a LYNK & CO Dealer which has sufficient experience in the auto-trading business and is familiar with the LYNK & CO brand is more likely to achieve better operating results), capital structure (such as the capitalization of the LYNK & CO Dealers, and whether the LYNK & CO Dealers' capital structure has already shown signs of high financial leverage (which is an indication of potential credit risks)), profitability and financial performance (for example, a good track record of profitability is an indication of enhanced liquidity and hence relatively lower credit risks) of the LYNK & CO Dealers. The LYNK & CO Dealers who are granted with credit lines by Genius AFC are required to submit to Genius AFC their financial reports monthly and audited accounts annually which will both be reviewed and assessed by the risk department of Genius AFC. Based on the said assessment results, Genius AFC will consider to adjust the credit line granted shall there be any substantial change in the financial and operating performance of such LYNK & CO Dealers.

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## LETTER FROM THE BOARD

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In relation to the credit risk assessment procedures for the LYNK & CO Retail Financing Business, Genius AFC has utilized a computerized internal risk assessment expert system, which enables Genius AFC to perform credit risk assessment procedures using big data analytics. For the purpose of risk assessment, the risk department of Genius AFC will set specifications rules for the retail products to determine whether to accept the loan application from the retail applicants, based on the retail applicant's earnings, credit history and repayment capability. Sound credit history and proof of recurring income of a retail applicant are normally indications of enhanced repayment capability. The risk control committee of Genius AFC will then review and approve the specifications rules for the retail products. Based on the evaluation by the computerized internal risk assessment expert system which is configured and modified by the risk department from time to time, the decisions on whether to grant the loans to the retail applicants would be made by the system and the retail underwriting team of the operation department of Genius AFC (the "**Underwriting Team**"). The general responsibilities of the Underwriting Team also include checking the authenticity of the information and materials provided by retail applicants, reviewing documents from retail applicants, and assessing the retail applicants' credibility in order to make final credit decisions on the applications. Upon granting of the vehicle loan to a retail borrower, the collection team of the operation department of Genius AFC would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

*(iv) Term of the loan and credit limit*

The maximum term of a loan to a LYNK & CO Dealer shall be 360 days. The maximum term of a loan to a LYNK & CO Retail Customer shall be 60 months.

*(v) Subsidies*

Genius AFC shall provide financing to all LYNK & CO Dealers according to the sales objectives and regional coverage agreed with LYNK & CO Sales. LYNK & CO Sales may from time to time offer LYNK & CO Dealers support with their vehicle financing and stocking costs and may choose to pay the interest accruing under the relevant Wholesale Facility Agreement on behalf of the LYNK & CO Dealers for an agreed period of time. In practice, LYNK & CO Sales will provide subsidies to the LYNK & CO Dealers who enter into the Wholesale Facility Agreements with Genius AFC for the wholesale financing and the LYNK & CO Dealers who enter into the Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the retail financing, subject to the final assessment of the market situation (e.g. sales performance of the LYNK & CO-branded vehicles) by LYNK & CO Sales. The terms and period of such subsidies shall be determined by LYNK & CO Sales in its quarterly sales incentive policy. Given it is common market practice for automobile manufacturers to provide marketing support or discounts to their dealers and retail borrowers and such arrangement would promote sales of LYNK & CO-branded vehicles, such arrangement is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

*(vi) Security*

Under the Wholesale Facility Agreement and the Retail Loan Agreement, acceptable securities may include security deposits, security over the LYNK & CO Dealers' or LYNK & CO Retail Customers' vehicles and/or other types of guarantees.

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## LETTER FROM THE BOARD

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### Principal terms to be applied to the Wholesale Facility Agreements and the Retail Loan Agreements

#### (i) Wholesale Facility Agreements

After commencement of the LYNK & CO Wholesale Financing Business, Genius AFC will enter into individual Wholesale Facility Agreements with the LYNK & CO Dealers, pursuant to which Genius AFC will provide LYNK & CO Wholesale Financing to such LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the Wholesale Facility Agreements (including, among others, pricing policy, loan term and credit limits etc.) that Genius AFC will enter into with such LYNK & CO Dealers are expected to be consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

#### *Wholesale Annual Caps*

There are no historical figures for the LYNK & CO Wholesale Financing as the LYNK & CO Wholesale Financing Business to be carried out by Genius AFC is expected to commence in the first quarter of 2018. The table below sets out the Wholesale Annual Caps for each of the three years ending 31 December 2020:

	Estimated annual caps for the year ending 31 December		
	2018	2019	2020
	RMB' million	RMB' million	RMB' million
LYNK & CO Wholesale Financing – Maximum new financing amounts to be provided by Genius AFC to LYNK & CO Dealers	13,215	24,450	24,191

#### *Basis of determination of the Wholesale Annual Caps*

In determining the proposed Wholesale Annual Caps, Genius AFC has taken into account (i) the projected units of LYNK & CO-branded vehicles to be purchased by the LYNK & CO Dealers for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group with reference to the anticipated number of dealers, the sales volume projection of and the anticipated production capacities for the manufacturing plants of the LYNK & CO-branded vehicles; (ii) the expected average selling price of the LYNK & CO-branded vehicles to the LYNK & CO Dealers for each of the years ending 31 December 2018, 2019 and 2020 which was determined by the Group based on the internal pricing policy for the LYNK & CO-branded vehicles to retail customers, taking into consideration the proposed marketing incentive to be provided to the LYNK & CO Dealers; and (iii) the estimated wholesale finance coverage by Genius AFC's LYNK & CO Wholesale Financing Business of 30% for each of the years ending 31 December 2018, 2019 and 2020. Wholesale finance coverage by Genius AFC's LYNK & CO Wholesale Financing Business represents the estimated percentage of the LYNK & CO Dealers' purchases which are financed by loans provided by Genius AFC. When estimating the said wholesale finance coverage by Genius AFC's LYNK & CO Wholesale Financing Business, Genius AFC has taken into account its business development and situation, and has also made reference to the historical average wholesale finance coverage of the automobile financing industry in the PRC in 2016 of 16.35%. In determining the Wholesale Annual Caps, Genius AFC

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## LETTER FROM THE BOARD

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has adopted a wholesale finance coverage of 30% for each of the years ending 31 December 2018, 2019 and 2010, representing a buffer of 13.65% over the historical average wholesale finance coverage of the automobile financing industry in the PRC in 2016 of 16.35%, after taking into account (i) the relationship between LYNK & CO Sales and Genius AFC and that Genius AFC is the preferred partner of LYNK & CO Sales; (ii) the growth potential of the LYNK & CO Wholesale Financing Business in light of the subsidies that may be granted to the benefit of the LYNK & CO Dealers in order to promote the LYNK & CO Wholesale Financing Business as well as the promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC as stipulated in the LYNK & CO Finance Cooperation Agreement.

### *(ii) Retail Loan Agreements*

Genius AFC will enter into the Retail Loan Cooperation Agreements with the LYNK & CO Dealers. Pursuant to the Retail Loan Cooperation Agreements to be entered into between Genius AFC and the LYNK & CO Dealers, the LYNK & CO Dealers shall recommend their retail customers (i.e. the LYNK & CO Retail Customers) to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles.

After the commencement of the LYNK & CO Retail Financing Business, Genius AFC will enter into individual Retail Loan Agreements with the LYNK & CO Retail Customers, pursuant to which Genius AFC will provide LYNK & CO Retail Financing to such LYNK & CO Retail Customers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the Retail Loan Agreements (including, among others, pricing policy, loan term and credit limits etc.) that Genius AFC will enter into with such LYNK & CO Retail Customers are expected to be consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

### *Retail Annual Caps*

There are no historical figures for the LYNK & CO Retail Financing as the LYNK & CO Retail Financing Business to be carried out by Genius AFC is expected to commence in the first quarter of 2018. The table below sets out the Retail Annual Caps for each of the three years ending 31 December 2020:

	<b>Estimated annual caps for the year ending 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
LYNK & CO Retail Financing Business – Maximum new financing amounts to be provided by Genius AFC to LYNK & CO Retail Customers	9,544	20,601	23,295



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## LETTER FROM THE BOARD

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### *Basis of determination of the Retail Annual Caps*

In determining the proposed Retail Annual Caps, Genius AFC has taken into account (i) the projected number of units of LYNK & CO-branded vehicles to be purchased by the LYNK & CO Retail Customers for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group with reference to the anticipated number of dealers, the sales volume projection of and the anticipated production capacities for the manufacturing plants of the LYNK & CO-branded vehicles; (ii) the expected average retail selling price of LYNK & CO-branded vehicles for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group based on the internal pricing policy for the LYNK & CO-branded vehicles to retail customer, (iii) the expected required down-payment percentage for the retail borrowers; and (iv) the estimated retail penetration by Genius AFC's LYNK & CO Retail Financing Business of 30%, 35% and 40% for each of the three years ending 31 December 2018, 2019 and 2020, taking into account the growth potential of Genius AFC's LYNK & CO Retail Financing Business. Retail penetration by Genius AFC's LYNK & CO Retail Financing Business represents the estimated percentage of the LYNK & CO Retail Customers' purchases which are financed by loans provided by Genius AFC. When determining the said retail penetration by Genius AFC's LYNK & CO Retail Financing Business, Genius AFC has taken into account its business development and situation, and has also made reference to the historical average retail penetration of the auto financing industry in the PRC in 2016 of 15.5%. In determining the Retail Annual Caps, Genius AFC has adopted a retail penetration of 30%, 35% and 40% for each of the years ending 31 December 2018, 2019 and 2010, representing a buffer of 14.5%, 19.5% and 24.5%, respectively, over the historical average retail penetration of the automobile financing industry in the PRC in 2016 of 15.5%, after taking into account (i) the relationship between LYNK & CO Sales and Genius AFC and that Genius AFC is the preferred partner of LYNK & CO Sales; (ii) the growth potential of the LYNK & CO Retail Financing Business in light of the subsidies that may be granted for the promotional campaigns in relation to the LYNK & CO Retail Financing offered by Genius AFC to the LYNK & CO Retail Customers from the LYNK & CO Dealers as well as the promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC as stipulated in the LYNK & CO Finance Cooperation Agreement.

### **RELEVANT INTERNAL CONTROL MEASURES**

#### **Internal control within Genius AFC**

Based on customer requirements, all loan and product pricing proposals (including any subsequent modifications) are prepared by Genius AFC's sales and marketing department. In order to ensure that the aforesaid pricing basis for the LYNK & CO Finance Cooperation Agreement are adhered to, the finance department of Genius AFC will monitor the fluctuations of the interest rates in the market at least on a monthly basis (or more frequently if it is determined necessary), which include, among others, the PBOC lending base rates, so as to ensure that the interest rates offered for the loan proposals will be higher than the PBOC lending base rates for similar types of loans under similar terms and conditions. In addition, Genius AFC's sales and marketing department communicates with the LYNK & CO Dealers on an ongoing basis to ensure the terms of the Wholesales Facility Agreement and the Retail Loan Agreement are in line with the general auto finance market practice. The finance department of Genius AFC will prepare reports on market interest rates and review these reports in a finance committee meeting at least monthly (or more frequently if it is determined necessary). These reports are distributed to sales and marketing department, finance

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## LETTER FROM THE BOARD

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department, operation department, risk department, legal and compliance department and information and technology department of Genius AFC for review whenever necessary. All loan and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by Genius AFC's finance department (which is responsible for keeping abreast of market interest rates, including but not limited to the PBOC lending base rates, Shanghai interbank offered rates, and interest rates of bank note, assets backed securities, financial bond and other financial instruments and ensuring product pricing proposals are in line with the overall financial planning and budget), operation department (which is responsible for ensuring the operational feasibility by assessing whether the existing manpower, software system, standard and procedures and other internal resources are comprehensive and sufficient enough for the product pricing proposals and considering whether training is required for staff of Genius AFC to understand any new product pricing proposals), risk department (which is responsible for assessing whether the product pricing proposals are acceptable from risk perspective), legal and compliance department (which is responsible for ensuring whether the loan and product pricing proposals comply with applicable law and regulations) and information technology department (which is responsible for making any necessary changes or enhancement to the existing software systems in respect of the LYNK & CO Wholesale Financing Business and the LYNK & CO Retail Financing Business to support any new product pricing proposals if the existing software system is insufficient to satisfy the operational requirements for the new product pricing proposal). The loan and product pricing proposals will then be submitted to the sales and marketing committee for final approval. Such committee includes the general manager of Genius AFC, the chief financial officer of Genius AFC, the respective heads of risk, sales and marketing, operation, and finance departments.

Further, to ensure the actual new financing amounts will not exceed the Wholesale Annual Caps and the Retail Annual Caps, Genius AFC will prepare specific monthly reports to show the actual transaction volumes and amounts as compared to the Wholesale Annual Caps and Retail Annual Caps. Once the actual transaction amounts reached certain levels (being 70% of the Wholesale Annual Caps or Retail Annual Caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the Wholesale Annual Caps and the Retail Annual Caps under the LYNK & CO Finance Cooperation Agreement would not be exceeded or to commence necessary process to revise the Wholesale Annual Caps and/or the Retail Annual Caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

The above internal control procedures are to ensure the pricing policy stipulated under the LYNK & CO Finance Cooperation Agreements is strictly adhered to.

### **Internal control within the Group**

The internal audit department of the Group will also conduct assessment on the internal control measures for all continuing connected transactions of the Company at least annually (or more frequently if it is determined necessary) to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Independent Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every

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## LETTER FROM THE BOARD

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year. The independent auditor review and confirm whether all continuing connected transactions have been approved by the Board; were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

### REASONS FOR AND BENEFITS OF THE LYNK & CO FINANCING ARRANGEMENTS

The Group is principally engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components.

As at the Latest Practicable Date, LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and is owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively, for the manufacture and sale of LYNK & CO-branded vehicles, and the provision of after-sales services. Please refer to the announcement of the Company dated 4 August 2017 for further details in relation to the establishment of LYNK & CO.

As mentioned in the interim report of the Company for the six months ended 30 June 2017, the new “LYNK & CO” brand, which emphasises key brand concepts like “personalised”, “open platform” and “full connectivity”, and its innovative business model are key parts of the Group’s strategy to expand into the premium vehicle segment and the global market. The Company expects that its new global brand “LYNK & CO” should put the Group in a much stronger position to compete in the global automobile market.

Genius AFC is a vehicle financing company owned as to 80% by the Company and 20% by BNPP PF, and is principally engaged in providing finance to vehicle dealers and retail customers for the purchase of automobiles.

In line with the practice of major global automobile companies, most of the PRC automobile companies have established vehicle financing subsidiaries or associated companies to provide vehicle financing services to their customers. With the expertise of BNPP PF coupled with the experience of the Group in the automobile business in the PRC, it is expected that Genius AFC will enable LYNK & CO to enhance its services to its customers and strengthen its competitiveness in the market. Furthermore, as the business of Genius AFC is still at a relatively early development stage, the LYNK & CO Financing Arrangements will also allow Genius AFC to build up its market reputation, in addition to the finance cooperation arrangements with Volvo Car Cooperation as announced by the Company in its announcement dated 11 December 2015, by cooperating with LYNK & CO Sales to provide vehicle financing solutions to the LYNK & CO Dealers and the LYNK & CO Retail Customers. The entering into of the LYNK & CO Financing Arrangements will therefore enable the Group, through Genius AFC, to gain market share in the PRC automobile financing industry and to benefit from the fast-growing auto financing business in the PRC. As at the Latest Practicable Date, the Board was not aware of any disadvantages for the Company in entering into the LYNK & CO Finance Cooperation Agreement.

The Board (including the independent non-executive Directors) is of the view that the terms of the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) were negotiated on an arm’s length basis and entered into in the ordinary and usual course of business of the Group; and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Genius AFC is owned as to 80% by the Company and 20% by BNPP PF. LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and is owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 90% and 99% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% of the total issued share capital of the Company as at the Latest Practicable Date. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Although the LYNK & CO Dealers and the LYNK & CO Retail Customers, who are parties to the Wholesale Facility Agreements, the Retail Loan Cooperation Agreements and the Retail Loan Agreements (as the case may be), are independent third parties to the Company and its connected persons, the LYNK & CO Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the LYNK & CO Dealers and the LYNK & CO Retail Customers will use the loans provided by Genius AFC to purchase new vehicles from LYNK & CO Sales, which is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) for each of the Wholesale Annual Caps and the Retail Annual Caps exceed 5% on an annual basis, the entering into of the LYNK & CO Financing Arrangements is subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li and his associates together holding 3,948,604,000 Shares (representing approximately 44.02% 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 resolutions to be proposed at the EGM to approve the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps). To the best of the Directors' knowledge and belief, Mr. Li Xing Xing, the son of Mr. Li, had no direct equity interests in the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Geely Holding is owned as to 90% by Mr. Li 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 LYNK & CO Financing Arrangements 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 LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps).

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## LETTER FROM THE BOARD

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### THE EGM

The EGM will be convened to consider and approve the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps). 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 Wednesday, 27 December 2017 at 4:00 p.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

### RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders whether or not the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The text of the letters from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 51 of this circular and the text of the letters from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) are fair and reasonable and are in the interest of the Company and the Independent Shareholders and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Board (including the independent non-executive Directors) considers that the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) 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.

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## LETTER FROM THE BOARD

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### 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 21 to 22 and pages 23 to 51 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to Independent Shareholders in relation to the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) 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)

8 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LYNK & CO FINANCING ARRANGEMENTS**

We refer to the circular dated 8 December 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 an Independent Shareholder whether the Independent Board Committee is in the view that the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 20 of the Circular and the letter from the Independent Financial Adviser as set out on pages 23 to 51 of the Circular which contains, inter alia, their advice and recommendation to us regarding the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) with the principal factors and reasons for those advice and recommendation.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) 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 LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps) 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*



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of the letter of advice from VBG Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the LYNK & CO Financing Arrangements for the purpose of inclusion in this circular.*



建泉融資有限公司  
VBG Capital Limited

18/F., Prosperity Tower  
39 Queen's Road Central  
Hong Kong

8 December 2017

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LYNK & CO FINANCING ARRANGEMENTS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the LYNK & CO Financing Arrangements and the continuing connected transactions contemplated therein (including the proposed Wholesale Annual Caps and the Retail Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 December 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in this Circular unless the context requires.

On 3 November 2017, the Company announced that Genius AFC and LYNK & CO Sales entered into the LYNK & CO Finance Cooperation Agreement pursuant to which Genius AFC will provide auto financing services to the LYNK & CO Dealers and LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles.

Under the terms of the LYNK & CO Finance Cooperation Agreement, Genius AFC will, after commencement of the LYNK & CO Wholesale Financing Business, will enter into individual Wholesale Facility Agreements with the LYNK & CO Dealers. The Wholesale Facility Agreements will govern the financing terms between Genius AFC and the LYNK & CO Dealers. Genius AFC will also enter into the Retail Loan Cooperation Agreements with the LYNK & CO Dealers, pursuant to which such dealers shall recommend their retail customers (i.e. the LYNK & CO Retail Customers) to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles. Genius AFC will, after commencement of the LYNK & CO Retail Financing Business, enter into individual Retail Loan Agreements with the LYNK & CO Retail Customers. The Retail Loan Agreements will govern the financing terms between Genius AFC and the LYNK & CO Retail Customers.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, (i) Genius AFC is owned as to 80% by the Company and 20% by BNPP PF; (ii) LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 90% and 99% by Geely Holding, which in turn is beneficially wholly owned by Mr Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% of the total issued share capital of the Company as at the Latest Practicable Date. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Although the LYNK & CO Dealers and the LYNK & CO Retail Customers, who are parties to the Wholesale Facility Agreements, the Retail Loan Cooperation Agreements and the Retail Loan Agreements (as the case may be), are independent third parties to the Company and its connected persons, the LYNK & CO Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules by virtue of the LYNK & CO Dealers and the LYNK & CO Retail Customers will use the loans provided by Genius AFC to purchase new vehicles from LYNK & CO Sales, which is a connected person of the Company under the Listing Rules.

By virtue of each of their interests and/or directorship (as the case may be) in Geely Holding, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, being the executive Directors, are considered to have material interests in the LYNK & CO Financing Arrangements. Accordingly, 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 LYNK & CO Financing Arrangements (including the Wholesale Annual Caps and the Retail Annual Caps). Each of Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui and his respective associates with approximately 44.02%, 0.16%, 0.05%, 0.18% accumulated shareholding in the Company respectively as at the Latest Practicable Date shall abstain from voting at the EGM in respect of the resolution(s) approving the LYNK & CO Financing Arrangements (including the proposed Wholesale Annual Caps and the proposed Retail Annual Caps).

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the LYNK & CO Financing Arrangements (including the proposed Wholesale Annual Caps and the proposed Retail Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the LYNK & CO Financing Arrangements are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the LYNK & CO Financing Arrangements at the EGM. We, VBG Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

Within two years prior to the Latest Practicable Date, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the continuing connected transactions in relation to the Volvo financing arrangements, details of which are

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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set out in the circular of the Company dated 28 January 2016. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our opinion with regard to the LYNK & CO Financing Arrangements, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company (the “**Management**”) in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

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

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the LYNK & CO Financing Arrangements (including the proposed Wholesale Annual Caps and Retails Annual Caps), we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the LYNK & CO Financing Arrangements

##### *Information on the Group*

The Group is principally engaged in the manufacturing and trading of passenger vehicles and automobile parts and related automobile components. Passenger vehicle offers by the Group can be broadly categories into three types, namely, sedan, sport utility vehicle (“SUV”) and cross-over utility vehicle (“CUV”). As shown in the Company’s 2016 annual report for the financial year ended 31 December 2016 (the “**2016 Annual Report**”), the PRC has been the Group’s principal market contributed approximately 93.9% and 97.3% for the two years ended 31 December 2015 and 31 December 2016, respectively. According to the information set out in the Company’s website (<http://www.geelyauto.com.hk>), the Group has (i) 9 manufacturing plants in the PRC with a total annual production capacity of 1,070,000 units of vehicle per double-shift as at 31 December 2016; (ii) more than 920 dealers in the PRC; (iii) 24 sales agents and 489 sales and services outlet in 23 overseas countries, mainly the Middle East, Asia, Europe and Africa.

As stated in the Letter from the Board, the new “LYNK & CO” brand, and its innovative business model are key parts of the Group’s strategy to expand into the premium vehicle segment and the global market. The Company expects that its new global brand “LYNK & CO” should put the Group in a much stronger position to compete in the global automobile market.

##### *Information on Genius AFC*

Genius AFC is a joint venture company owned as to 80% by the Company and as to 20% by BNPP PF. It is principally engaged in the provision of Renminbi financing in the PRC to vehicle dealers and retail customers for the purchase of automobiles. Genius AFC is a non-bank financial institution established in August 2015 in accordance with 《汽車金融公司管理辦法》(the Administrative Measures for Auto Finance Companies) (the “**Auto Finance Companies Measures**”) with the approval of China Banking Regulatory Commission (the “**CBRC**”). Based on our discussion with the management of the Genius AFC and the legal adviser of Genius AFC, namely Grandall Law Firm (Shanghai) (the “**PRC Legal Adviser**”), we are given to understand that the Auto Finance Companies Measures were issued by the CBRC and the People’s Bank of China (the “**PBOC**”) to regulate the establishment of auto finance companies. Furthermore, the business operation of auto finance companies and hence Genius AFC must comply with 《汽車貸款管理辦法》(the Measures for the Management of Auto Loan) (the “**Auto Loan Measures**”) that were promulgated by the CBRC and the PBOC in 2004 and revised in 2017. The revised Auto Loan Measures will replace the Auto Loan Measures and become effective on 1 January 2018 (the “**Revised Auto Loan Measures**”). We noted that the Auto Loans Measures set out certain compliance and risk management measures in relation to the operation of auto loan companies including but not limited to maintaining certain financial ratios at all times, reporting to the CBRC, the lending interest rate, the term of auto loan etc. We are confirmed by the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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management of Genius AFC that they are not aware of any record of non-compliance with the relevant laws and regulations in the PRC on Genius AFC since its incorporation and Genius AFC has obtained all necessary approvals, permits and licenses for its operation.

As stated in the announcement of the Company dated 16 December 2013 in respect of the formation of Genius AFC, the establishment of Genius AFC provides an opportunity for the Group to, among other things, promote the sales of the Group's passenger vehicles in the PRC. Furthermore, Genius AFC will enable the Company to enhance its services to its customers and strengthen its competitiveness in the market and as well as to benefit from the fast-growing auto financing business in the PRC. For details of the establishment of Genius AFC, please refer to the announcement of the Company dated 16 December 2013.

According to the Company's annual report for the financial year ended 31 December 2015 (the "**2015 Annual Report**"), Genius AFC commenced its wholesale and retail financing businesses with the Group's dealers and retail customers in September and October 2015, respectively, for Geely brand passenger vehicles.

### *Information on LYNK & CO Sales*

As stated in the Letter from the Board, the principal business of LYNK & CO Sales is sales and marketing and provision of after-sales service of LYNK & CO-branded vehicles. We are confirmed by the management of the Group that LYNK & Co Sales has commenced business at the end of November 2017. As advised by the management of the Group that as at the Latest Practicable Date, LYNK & CO Sales had approximately 257 staff. Given the short operation history of LYNK & CO Sales, it does not affect our view in respect of the reasonableness of entering into of the LYNK & CO Finance Cooperation Agreement because (i) the principal business of LYNK & CO Sales is sales and marketing of LYNK & CO-branded vehicle; (ii) the LYNK & CO-branded vehicle has just been launched at the end of November 2017 and (iii) the transactions contemplated under the LYNK & CO Finance Cooperation Agreement are for the three years ending 31 December 2020.

We noted from the Letter from the Board that given (i) most of the PRC automobile companies have established auto financing subsidiaries or associated companies to provide auto financing services to their customers, such a move being in line with the practice of major global automobile companies; (ii) it is expected that, with the expertise and experience of the joint venture partners of Genius AFC in the automobile business in the PRC, Genius AFC will enable LYNK & CO to enhance its services to its customers and to strengthen its competitiveness in the market; (iii) the business of Genius AFC is still at a relatively early development stage, the LYNK & CO Finance Cooperation Agreement will allow Genius AFC to further build up its market reputation, hence, the entering into of the LYNK & CO Finance Cooperation Agreement will therefore enable the Group, through Genius AFC, to gain market share in the PRC auto financing industry and to benefit from the fast-growing auto financing business in the PRC. We are advised by the management of the Company that the Board are of the view that the entering into of the LYNK & CO Financing Arrangements, among other things, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Board was not aware of any disadvantages for the Company in entering into the LYNK & CO Finance Cooperation Agreement.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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In order to assess the practice of major global automobile companies to operate auto finance companies in the PRC, we have conducted research on public domain. According to a report, namely《2016 年度中國汽車金融公司行業發展報告》(the 2016 China Automotive Finance Industry Development Report) (the “**Report**”) published by 中國銀行業協會汽車金融專業委員會 (the China Banking Association Professional Committee of Automobile Financing), it stated that at the end of 2016, there were 25 approved auto finance companies to operate in the PRC. Based on our further research and confirmation from the management of Genius AFC, we note that among these 25 auto finance companies, 11 of which are either wholly-owned subsidiaries or joint ventures with foreign automobile companies as the shareholders. Set out below are the profile of these auto finance companies.

Name of auto finance companies in the PRC with global automobile companies as shareholders	Year of Establishment	Profile of auto finance companies in the PRC
Volkswagen Finance China Company Limited	2004	Volkswagen Finance (China) Company Limited operates as an auto finance company in the PRC. The company offers a range of automotive finance services, including wholesale and retail finance services. It also provides mobility services, such as leasing and fleet services, as well as insurance and other automotive services. Volkswagen Finance (China) Company Limited is a subsidiary of Volkswagen Financial Services AG
SAIC-GMAC Automotive Finance Company Limited	2004	SAIC-GMAC Automotive Finance Company Limited provides a range of automotive financial services in the PRC. It offers car credit services for individual and private enterprise customers; fleet financing for state-owned and private enterprises; and business credit products and professional financing programs for authorized dealers. SAIC-GMAC Automotive Finance Company Limited is a subsidiary of GMAC International Finance B.V
Toyota Motor Finance (China) Company Limited	2005	Toyota Motor Finance (China) Company Limited provides car loan services in China. It is a subsidiary of Toyota Financial Services Corporation.
Ford Automotive Finance (China) Limited	2005	Ford Automotive Finance (China) Limited provides car financial services to Ford consumers in the PRC. It is a subsidiary of Ford Motor Company Limited
Mercedes-Benz Auto Finance Limited.	2005	Mercedes-Benz Auto Finance Limited is a subsidiary of Daimler Financial Services Group. It provides auto financing and insurance services to more than 260 authorized dealers and their customers across in the PRC
BMW Automotive Finance (China) Company Limited	2010	BMW Automotive Finance (China) Company Limited provides loans for BMW automobile dealer and individuals in the PRC. The company offers car purchase loans, car dealer purchase loans, and operations equipment loans; and consulting and agency services related to car purchase financing. The company is a subsidiary of BMW Company Limited
Beijing Hyundai Auto Finance Company Limited	2012	Beijing Hyundai Auto Finance Company Limited offers auto financing services. The company operates as a subsidiary of Hyundai Capital Services Inc.
Dongfeng Peugeot Citroen Auto Finance Company Limited	2006	Dongfeng Peugeot Citroen Auto Finance Company Limited provides auto finance services. The company operates car wholesale financing, car retail credit, car loans, car insurance, and agent business. Dongfeng Peugeot Citroen Auto Finance provides services to car dealers and buyers. The company operates as a subsidiary of PSA Finance Nederland B.V.
FCA Automotive Finance Company Limited	2007	Information not available
Volvo Automotive Finance (China) Limited	2006	Information not available
Dongfeng Nissan Auto Finance Company Limited	2007	Dongfeng Nissan Auto Finance Company Limited provides auto finance services. The company mainly offers car finance leasing, car loan, and other services. Dongfeng Nissan Auto Finance Company Limited operates as a subsidiary of Nissan Motor Company Limited

*Sources of information: the Report, Bloomberg (www.bloomberg.com), website of Daimler (www.daimler.com)*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Based on the above, we concur with the view of the Directors that the establishment of Genius AFC to provide auto financing services is in line with the practice of major global automobile companies.

In respect of the view of the management of the Company that given “*the expertise and experience of the joint venture partners of Genius AFC in the automobile business in the PRC, Genius AFC will enable LYNK & CO to enhance its services to its customers and strengthen its competitiveness in the market*”. We have discussed with the management of the Group in this regard and were advised that (i) by virtue of the auto finance services provided by Genius AFC, LYNK & CO Sales can offer such auto financing services to its customers in order to facilitate the sales of LYNK & CO-branded vehicles; (ii) the joint venture partners of Genius AFC, namely BNPP PF which provides support to Genius AFC in terms of sharing its risk control management practice in auto financing/lending whereas the Company will work with Genius AFC to develop and design marketing activities to promote the sales of LYNK & CO-branded vehicles. Also, the Company will share its dealership network with Genius AFC in order to explore possible sales opportunities.

In connection with the background of BNPP PF, we noted that the announcement made by the Company on 16 December 2013 in connection with the establishment of auto finance joint venture, namely Genius AFC, has already stated the background of BNPP PF as follows:

*“Worldwide automotive financing services are one of the historical know-how and expertise of BNP Paribas Personal Finance either in the new car business or in the second-hand car market. Developing its automotive financing services offer also is one of the main three strategic areas of growth of BNP Paribas Personal Finance. BNP Paribas Personal Finance is the leader in France and in Europe for personal loans via its activities in consumer credit and mortgage lending. A 100% subsidiary of the BNP Paribas Group, BNP Paribas Personal Finance has more than 16,000 employees and operates in over 20 countries. Under brands including Cetelem, Findomestic, and AlphaCredit, the company offers a full range of personal credit products at points of sale and car dealerships and directly to consumers through its customer relations centres and Internet. In addition, according to the website of BNPP PF ([www.bnppparibas.pf.com](http://www.bnppparibas.pf.com)) that “in all countries where it operates, BNP Paribas Personal Finance offers a complete range of loans for private individuals to support them in their projects. They are available in stores and car dealerships or directly through customer relationship centers and via the company’s local websites. BNPP PF propose financing solutions for local players in retail distribution, e-business, car dealerships etc.”* In view of the above, we concur with the view of the management of the Company that the expertise and experience of the joint venture partners of Genius AFC will enable LYNK & CO, via Genius AFC, to enhance its services to its customers and strengthen its competitiveness in the market.

In view of the above-mentioned background of the Company, LYNK & CO Sales and Genius AFC, we concur with the view of the Directors that the entering into of the LYNK & CO Financing Arrangements is in the interest of the Company and the Shareholders as a whole.

## 2. Overview of the PRC’s auto financing market

On 25 April 2017, three ministries of the People’s Republic of China, namely, the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Science and Technology jointly issued 汽車產業中長期發展規劃 (the Medium and Long-term Development Plan for the Automotive Industry) (the “**Plan**”) for the automobile industry. As set out in the Plan, automobile industry is one of the important pillar of the national economy. In 2016, China’s

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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automobile production and sales exceeded 28 million unit, for 8 consecutive years ranked first in the world, of which China's brand car sales accounted for about 50%. The Plan is meant to push forward the government's strategy for developing the PRC to becoming a top automobile country in the world over the next ten years.

According to data from the website of China Association of Automobile Manufacturers ("CAAM") (www.caam.org.cn), which is a non-profit social organisation founded in Beijing in 1987 with the approval of the Ministry of Civil Affairs of the PRC, the sales volume of passenger vehicles in the PRC grew from approximately 13.8 million vehicles in 2010 to approximately 24.4 million vehicles in 2016. For the first ten months in 2017, the sales of passenger cars were 19,502,000 units, up 2.1% year-on-year.

In assessing the overall performance and future prospect of auto financing industry in the PRC, we have reviewed the Report as mentioned in the previous paragraph and note that at the end of 2016, the 25 approved auto finance companies in the PRC had total assets reached approximately RMB572.9 billion, representing an increase of approximately 36.7% as compared to the prior year. The main businesses of auto finance companies in the PRC are wholesale finance (provision of funding support to dealers for establishment of vehicle inventory) and retail loans. Also, the wholesale loans were offered to approximately 4.6 million vehicles of dealerships in 2016, represented a year-on-year increase of 0.9 million vehicles and 25.9%, which accounted for approximately 16.4% of the PRC's auto manufacture in the same year. Auto finance companies provided retail loans to approximately 4.3 million vehicles in 2016, represented a year-on-year increase of approximately 1.4 million vehicles and 48.5%.

Furthermore, in 2016, the aggregate net profit recorded by auto finance companies in the PRC reached approximately RMB10.4 billion, representing an increase of approximately 39.9% as compared to the prior year. In terms of types of loans, at the end of 2016, the outstanding of retail loans and wholesaler finance of auto finance companies amounted to approximately RMB426.5 billion and RMB92.3 billion respectively, representing a respective increase of approximately 39.8% and 9.8% as compared to the prior year.

Also, we have conducted our own research in respect of the forecasted future performance of the auto finance industry in the PRC and noted that there is an overall positive view of and expectation of further growth in the auto finance industry. According to an article published on the website of China Daily (www.chinadaily.com.cn) dated 11 September 2017 with the title "Auto financing sector to hit 2 trillion yuan by 2020, doubling 2016", it reported that the China Automobile Dealers Association "*predicted the overall auto financing market will reach 2 trillion yuan by 2020 in China, 2.5 times the 800 billion yuan scale reported at the end of 2016. It foresees about half of new car sales involving some form of financing*". The China Automobile Dealers Association also expressed that "*the world's largest auto market is expected to maintain a smaller, one-digit growth rate until 2020, after reaching a record high of 28 million sales in 2016*". Notwithstanding the above, according to our various research, we noted that in 2016 the penetration of auto finance in the PRC reached approximately 35-40%, while other developed nations such as United States, Japan and Europe countries with over 50%, it is a common view found in our research that the penetration of auto finance in the PRC has potential to further growth and reach around 50% by 2020 because (i) more and more customers accept the consumption concept of auto finance, and some customers even ask for relevant financing plan while purchasing of vehicles; (ii) auto finance has become the main promotional technique of auto manufacturers to boost sales; and (iii) the growth of auto finance penetration rate promotes the rapid increase of auto sales.



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Based on the above, we agreed that there is a generally positive outlook for the automobile industry in the PRC. We also agreed that auto finance could be used as a tool to stimulate vehicle sales. In view of our research which showed that in general there is an overall positive view towards further potential growth of the auto finance industry, hence, we concur with the view of the Board that the entering into of the LYNK & CO Financing Arrangements is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### 3. Business performance of the Group

With reference to the Company's (i) interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**"); (ii) the 2016 Annual Report; (iii) the 2015 Annual Report, we noted that the Group has been recording robust growth in sales and its sales performance in 2016 even exceeded the Management's expectation. Set out below are the extracted from the 2015 Annual Report, 2016 Annual Report and 2017 Interim Report:

#### *Extracted from 2015 Annual Report*

- "the Group's sales volume in the China market was up 35.2% from 2014, compared with 7.3% year-on-year ("YoY") growth in the overall China's passenger vehicle market in 2015 according to China Association of Automobile Manufacturers ("CAAM")."
- "overall, the Group sold a total of 510,097 units of vehicles in 2015, up 22.1% from 2014 and exceeded the Group's 2015 sales volume target of 450,000 units by 13%".
- "total revenue increased by 38.6% to RMB30.14 billion in 2015, due to the higher sales volume during the year".
- "the Group's profit attributable to the equity holders increased by 58.0% to RMB2.26 billion in 2015."

#### *Extracted from 2016 Annual Report*

- "the Group's sales volume in the China market was up 53.6% from 2015, compared with 14.9% year-on-year growth of the overall China's passenger vehicle market in 2016 according to China Association of Automobile Manufacturers".
- "overall, the Group sold a total of 765,970 units of vehicles in 2016, up 50.2% from 2015 and exceeded the Group's 2016 sales volume target of 700,000 units, which had been revised twice during the year from the original level of 600,000 units".
- "total revenue increased by 78.3% to RMB53.72 billion in 2016, due to the higher sales volume and the improvement in product mix during the year".
- "the Group's profit attributable to the equity holders increased by 126.2% to RMB5.11 billion in 2016".

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### *Extracted from 2017 Interim Report*

- “the Group’s performance in the first half of 2017 continued to exceed the management’s expectations”.
- “the passenger vehicle sales volume of Chinese indigenous brands only exhibited a modest growth at 4.3% year-on year (“YoY”) during the period, compared with an even lower 1.6% YoY growth of the overall Chinese passenger vehicle market in the same period, according to the data of China Association of Automobile Manufacturers (“CAAM Data”)”.
- “the Group’s sales in the China market continued to grow strongly, with total sales volume up 95% YoY to 526,779 units in the first half of 2017”.
- “the Group sold a total of 530,627 units of vehicles in the first six months of 2017, achieved a 89% YoY growth over the same period in 2016”.
- “total revenue increased by 118% to RMB39.42 billion during the period”.

As set out in the 2015 Annual report, the Company announced in November 2015 about its new energy vehicle strategy namely, Blue Geely Initiative (藍色吉利行動) that *“the Blue Geely Initiative is in line with the international development and central government’s efforts put in response to environmental problems. It is a 5-year campaign displaying the Group’s dedication to transformation into industry leader in new energy vehicle technologies”*. Also, the Group plans, among other things, to offer more energy-efficient solutions to its customers, thus strengthening the Group’s product line and enhancing the competitiveness of its products. With the substantial investment in new technologies and innovations over the past few years, the Group’s products have become far more environmentally friendly and fuel-efficient. Further, the shift of preference on vehicle procurement by the Chinese government towards more indigenous brand products should provide additional opportunities for the Group to further expand its sales. According to the chairman statement as set out in 2015 Annual Report and 2016 Annual Report that the Group is on the right track to achieve the goal of becoming a leading global automobile group, targeting to reach the total sales volume of 2 million units by year 2020.

In view of the potential growth in the industry, coupled with the PRC governmental support of the PRC automobile industry as stated in the Plan, we consider the prospects of the Group’s automobile business is relatively positive.

#### **4. Principal terms of the LYNK & CO Financing Arrangements**

The LYNK & CO Financing Arrangements is a parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the LYNK & CO Finance Cooperation Agreement; (ii) the LYNK & CO Wholesale Financing Business; and (iii) the LYNK & CO Retail Financing Business. The LYNK & CO Finance Cooperation Agreement shall have an initial term of three years and shall then continue unless and until terminated by either party by giving at least 6 months prior written notice. Such continuation/renewal shall be pre-approved by (i) the regulators of the Company (i.e. the Stock Exchange); and (ii) the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Independent Shareholders. Nevertheless, either Genius AFC or LYNK & CO Sales may terminate the LYNK & CO Finance Cooperation Agreement. For details and the conditions on the termination events, please refer to the paragraph headed “Termination” in the Letter from the Board.

The principal terms of the LYNK & CO Finance Cooperation Agreement, the Wholesale Facility Agreements and the Retail Loan Agreements are set out below.

### ***4.1 The LYNK & CO Finance Cooperation Agreement***

On 3 November 2017, Genius AFC and LYNK & CO Sales entered into the LYNK & CO Finance Cooperation Agreement which set out the terms on which Genius AFC will provide auto financing services to:

- the LYNK & CO Dealers (including wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers); and
- LYNK & CO Retail Customers (including retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers).

Principle terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales are as follow:

#### *(i) Cooperation and subsidies*

As stated in the Letter from the Board that, (i) the parties to the LYNK & CO Finance Cooperation Agreement have agreed to work together to undertake promotional activities, incentives and training to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC; (ii) subject to the completion of the LYNK & CO Finance Cooperation Agreement, a joint committee will be formed between LYNK & CO and Genius AFC comprising members from the respective sales and marketing departments, operation departments and information technology departments of both LYNK & CO and Genius AFC to undertake the abovementioned activities to promote the finance penetration of Genius AFC and the sale of the LYNK & CO-branded vehicles in the PRC.

In addition, LYNK & CO shall use its reasonable endeavours to procure the LYNK & CO Dealers to use the LYNK & CO Wholesale Financing and to recommend their retail customers to use the LYNK & CO Retail Financing provided by Genius AFC.

For a LYNK & CO Dealer who is covered by the LYNK & CO Wholesale Financing, LYNK & CO shall use its reasonable endeavours to grant subsidies to the benefit of such LYNK & CO Dealer in order to promote the LYNK & CO Wholesale Financing Business. For a LYNK & CO Dealer who is covered by the LYNK & CO Retail Financing, LYNK & CO shall use its reasonable endeavours to grant subsidies for the promotional campaigns in relation

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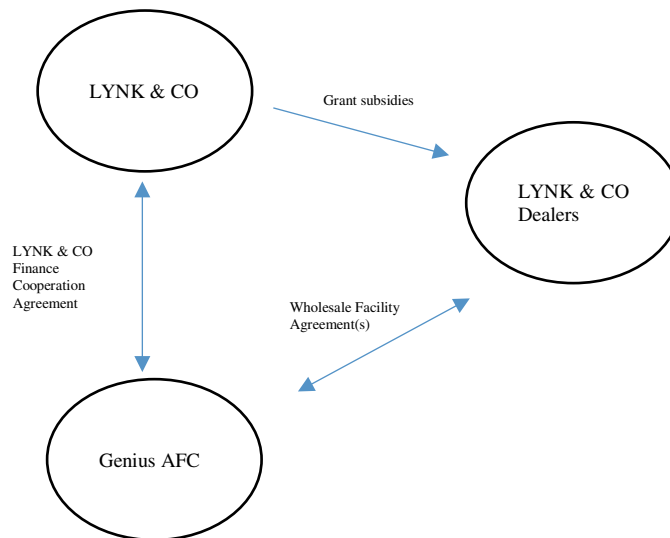
## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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to the LYNK & CO Retail Financing offered by Genius AFC to the LYNK & CO Retail Customers from such LYNK & CO Dealer provided that the final choice of financial partner shall always be made by the LYNK & CO Dealers or the LYNK & CO Retail Customers.

Genius AFC shall not be the exclusive provider of vehicle loans and other services particularly described in the LYNK & CO Finance Cooperation Agreement in the PRC to the LYNK & CO Dealers or the LYNK & CO Retail Customers, and other providers will also be appointed by LYNK & CO Sales to provide similar services. Notwithstanding the foregoing, shall another independent vehicle financing company or bank offer financing services under the same conditions, Genius AFC shall be the preferred partner of LYNK & CO Sales (i.e. Genius AFC shall be firstly recommended by LYNK & CO Sales to LYNK & CO Dealers for the LYNK & CO Wholesale Financing and LYNK & CO Retail Customers for the LYNK & CO Retail Financing than other independent vehicle financing companies and/or banks).

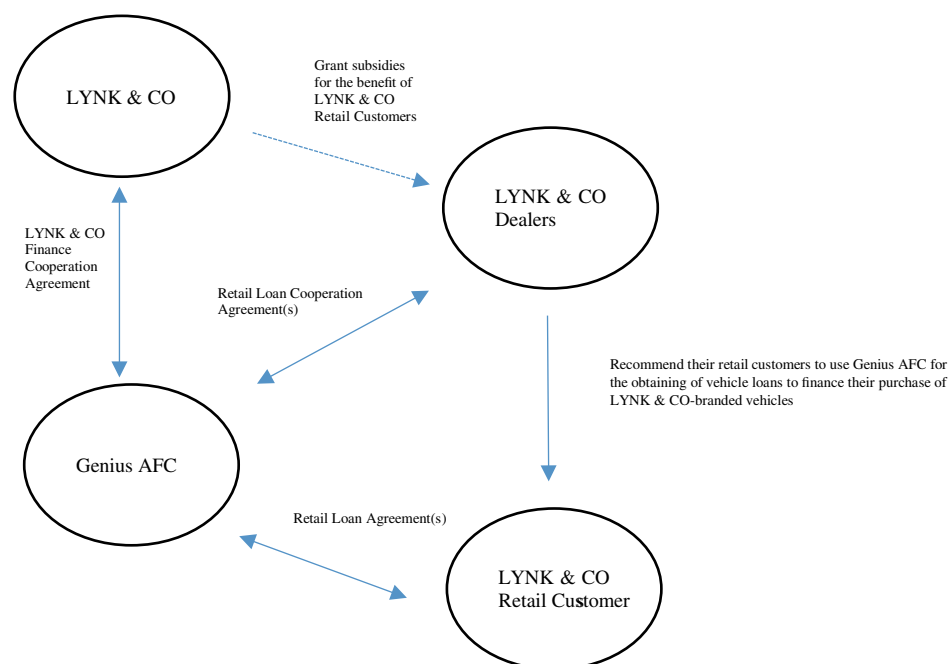
The LYNK & CO Wholesale Financing and LYNK & CO Retail Financing are summarized in the flow chart as below:



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Genius AFC shall provide financing to all the LYNK & CO Dealers according to the sales objectives and regional coverage agreed with LYNK & CO Sales. LYNK & CO Sales may from time to time offer LYNK & CO Dealers support with their auto financing and stocking costs and may choose to pay the interest accruing under the relevant Wholesale Facility Agreements on behalf of the LYNK & CO Dealer for an agreed period of time. As stated in the Letter from the Board that in practice, LYNK & CO Sales will provide subsidies to the LYNK & CO Dealers who enter into the Wholesale Facility Agreements with Genius AFC for the wholesale financing and the LYNK & Co Dealers who enter into the Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the retail financing, subject to the final assessment of the market situation (e.g. sales performance of the LYNK & CO branded vehicles) by LYNK & CO Sales. The terms and period of such subsidies shall be determined by LYNK & CO Sales in its quarterly updated sales incentive policies. Given it is common market practice for automobile manufacturers to provide marketing support or discounts to their dealers and retail borrowers and such arrangements would promote sales of LYNK & CO-branded vehicles, the Directors consider that such arrangement is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

In respect of the market practice of offering subsidies and/or interest free period to auto dealer in order to promote vehicle sales, we have conducted research on public domain and have noted that promotional packages offered by carmakers and/or auto finance companies in the PRC vary, but it includes two-to-three-year zero-interest auto loans, purchase-tax subsidies, interest subsidies and trade-in subsidies, etc. Accordingly, we consider the aforesaid arrangement of LYNK & CO Sales in connection with subsidies and payment of interest accruing are in line with the market practice of our research results.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We are of the view that the aforesaid terms on cooperation and subsidies facilitate LYNK & CO to use actively the auto financing services of Genius AFC to the LYNK & CO Dealers and the LYNK & Co Retail Customers, such acts shall enable Genius AFC to further build up and strengthen its market share, reputation and business in auto financing, all of which are beneficial to Genius AFC.

(ii) *Pricing policy*

As set out in the Letter from the Board that given Genius AFC is not the exclusive provider of financing services to the LYNK & CO Dealers or the LYNK & CO Retail Customers, the fierce competition in the PRC auto finance market and that the LYNK & CO Dealers and the LYNK & CO Retail Customers are independent third parties to Genius AFC, Genius AFC's sales and marketing department will communicate with the LYNK & CO Dealers on an ongoing basis (including obtaining feedbacks from LYNK & CO Dealers on the range of lending rates and other major terms offered by other vehicle financing companies) to ensure that the terms of the Wholesale Facility Agreement and the Retail Loan Agreement are competitive at all times during the term of the LYNK & CO Finance Cooperation Agreement, and such terms shall be in line with general auto finance market practice. All loan and product pricing proposals are also prepared in accordance with the internal control procedures as disclosed in the section headed "Relevant Internal Control Measures – Internal Control within Genius AFC" in the Letter from the Board. Genius AFC shall remain the sole decision maker for the final pricing of the services to be applied to the LYNK & CO Dealers and the LYNK & CO Retail Customers. The final pricing of the services will be determined by Genius AFC after consideration of various factors, including its cost of funds, the borrower's risk profile, which will be assessed by Genius AFC in accordance with the section headed "(iii) Lending Risk" in the Letter from the Board, as well as the lending rates offered by the competitors in ensuring the pricing is competitive.

The interest rates, at the time of each setting, for the loans to be provided by Genius AFC to the LYNK & CO Dealers and the LYNK & CO Retail Customers shall be higher than the lending base rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

In order to better understand the rules and regulations in the PRC in respect of lending interest rate of auto finance companies, we have confirmed with the management of Genius AFC and the PRC Legal Adviser, we are given to understand that the Auto Loan Measures used to be the key reference for lending interest rate. However, in October 2004, the PBOC released 《中國人民銀行關於調整金融機構存、貸款利率的通知》(the Notice of the People's Bank of China on Adjusting Deposits and Lending Rates of Financial Institutions) pursuant to which the upper limit on lending interest rates by financial institutions was abolished. Also, the PBOC released an announcement in July 2013 to loosen the control on lending rates of financial institutions, to cancel the lower limit of lending interest rates of financial institutions. Nevertheless, according to 《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》(the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases) ("the Provisions") which has become effective in 2015 that if the annual interest rate stipulated by the lenders and the borrowers does not exceed

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24%, the PRC courts will support the lender's request for the borrower to pay such interest. In light of the above, we are advised by the management of Genius AFC and confirmed by the PRC Legal Adviser that under the PRC rule and regulations, the maximum annual lending interest rate for private lending is 24%. The PRC Legal Adviser further advised that (i) although the "Provisions" are not directly applicable to auto financing companies, in practice the upper limit of 24% per annum set by the "Provisions" has become the upper limit of the annual interest rate of financial lending; (ii) if the lending interest rate charged by Genius AFC exceed 24%, the consequence for such excess will render the interest rate for the exceeding part invalid.

We are confirmed by the management of Genius AFC that the sources of funds of Genius AFC mainly comprises shareholders' deposits and bank loans. Hence, we consider to take reference of the PBOC benchmark rates for similar type of loan as the minimum starting point to determine the lending interest of Genius AFC is fair and reasonable to the Company and the Shareholders as a whole.

(i) *Lending risk*

Genius AFC is primarily regulated by the CBRC. In addition, the PBOC, the Ministry of Finance of the PRC also have regulatory oversight of the automotive financing industry. CBRC and PBOC enacted the Auto Finance Companies Measures and the Auto Loan Measures, respectively to standardize the management of automotive loan business.

All lending risk assessments and decisions shall be the sole responsibility of Genius AFC, and such decisions shall conform to applicable regulatory requirements. The extension of financing in any form to any LYNK & CO Dealer or any LYNK & CO Retail Customer is subject to satisfactory credit risk assessment in accordance with the Genius AFC's credit risk management procedures (one example would be assessing the debt-to-asset ratio of LYNK & CO Dealers) and the internal risk and management policies for the retail and wholesale financing businesses which were prepared by the risk and operation departments and approved by the board of Genius AFC, as from time to time determined by Genius AFC at its sole discretion.

In relation to the credit risk assessment procedures for the LYNK & CO Wholesale Financing Business, the risks department of Genius AFC will review the credit applications with supporting materials from the LYNK & CO Dealers and prepare the proposal for the granting of credit lines. The credit application shall be subject to Genius AFC board's approval for granting of credit lines exceeding the internal threshold set by Genius AFC. In addition to assessment on the debt-to-asset ratios of the LYNK & CO Dealers, other factors will also be taken into the consideration including, but not limited to, company background, its experience in the automobile industry as well as the brand (for instance, a LYNK & CO Dealer which has sufficient experience in the auto-trading business and is familiar with the LYNK & CO brand is more likely to achieve better operating results), capital structure (such as the capitalisation of the LYNK & CO Dealer, and whether the LYNK & CO Dealer's capital structure already shows signs of high financial leverage (which is an indication of potential credit risks)), profitability and financial performance (for example, a good track record of profitability is an

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indication of enhanced liquidity and hence relatively lower credit risks) of the LYNK & CO Dealers. The LYNK & CO Dealers who are granted with credit lines by Genius AFC are required to submit to Genius AFC their financial reports monthly and audited accounts annually which will both be reviewed and assessed by the risk department of Genius AFC. Based on the said assessment results, Genius AFC will consider to adjust the credit line granted shall there be any substantial change in the financial and operating performance of such LYNK & CO Dealers.

As stated in the Letter from the Board that in relation to the credit risk assessment procedures for new loan application for the LYNK & CO Retail Financing Business, by using big data analytics, Genius AFC has utilized a computerized internal risk assessment expert system, which enables Genius AFC to perform credit risk assessment procedures. For the purpose of risk assessment, the risk department of Genius AFC will set specifications rules for the retail products to determine whether to accept the loan application from the retail applicants, based on the retail applicant's earnings, credit history and repayment capacity. Sound credit history and proof of recurring income of a retail applicant are normally indication of enhanced repayment capacity. The risk control committee of Genius AFC will then review and approve the specifications rules for the retail products. Based on the evaluation by the computerized internal risk assessment expert system which is configured and modified by the risk department from time to time, the decisions on whether to grant the loans to the retail applicants would be made by the system and the retail underwriting team of the operations department of Genius AFC (the "**Underwriting Team**"). The general responsibilities of the Underwriting Team also include checking the authenticity of the information and materials provided by retail applicants, reviewing documents from retail applicants, and assessing the retail applicants' credibility in order to make final credit decisions on the applications. Upon granting of the vehicle loan to a retail borrower, the collection team of the operation department of Genius AFC would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

In addition, we are confirmed by the management of Genius AFC and the PRC Legal Adviser that the Auto Loan Measures is the main rule and regulation in respect of the lending risk assessments and decisions of auto finance companies. We are further confirmed by the management of Genius AFC that (i) since the incorporation of Genius AFC in August 2015, Genius AFC has been in compliance with the Auto Loan Measures and the relevant laws and regulations of the PRC in relation to risk management of auto finance companies; (ii) for the year of 2016, Genius AFC recorded non-performing loan percentage of approximately 0.02% whereas the average recorded non-performing loan percentage for the industry was approximately 0.37%.

Notwithstanding the above, we noted that with effect from 1 January 2018, the current Auto Loan Measures will be replaced by the Revised Auto Loan Measures. We have reviewed the Revised Auto Loan Measures in respect of risk management and discussed with the management of Genius AFC in respect of such compliance. We are confirmed by the management of Genius AFC that the internal control policies of Genius AFC have been in compliance with the Revised Auto Loan Measures. Based on the above, the management of Genius AFC are of the view that they are in compliance with the rules and regulations in the



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PRC in respect of lending risk assessment and their internal policy and procedures are adequate and sufficient. In light of the above, we concur with the view of Genius AFC in this regard.

(ii) *Loan term and credit limit*

The maximum loan term to a LYNK & CO Dealer shall be 360 days. The maximum loan term to a LYNK & CO Retail Customer shall be 60 months.

We have enquired into the Company regarding the duration of the aforesaid loan terms and as advised by the Company that they are in line with the Automotive Loan Measures jointly enacted by the China Banking Regulatory Commission and the PBOC which stipulated that the term of automobile loans may not be longer than five years (thus for each LYNK & CO Retail Customer: 60 months) while the term of loans to wholesale dealers may not be longer than one year (thus for each LYNK & CO Dealer: 360 days). We have reviewed that Auto Loan Measures and noted that the above-mentioned loan term is comply with the Auto Loan Measures.

(iii) *Security*

Under the Wholesale Facility Agreement and the Retail Loan Agreement, acceptable securities may include security deposits, security over the LYNK & CO Dealers' or LYNK & CO Retail Customers' vehicles and/or other types of guarantees.

We noted that under article 24 of the Auto Loan Measures and the Revised Auto Loan Measures, both stated that "*when a lender issues a car loan, the borrower shall be required to provide the automobile mortgage or other effective guarantee purchased*". Furthermore, under the Revised Auto Loan Measures, it stated that "*after the lender examines, evaluates and confirms that the borrower has a good credit and can indeed repay the loan, he may not provide any guarantee*".

Having considered the principal terms of the LYNK & CO Financing Arrangements as highlighted above, we consider that the terms of the LYNK & CO Finance Cooperation Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4.2 *The Wholesale Facility Agreements***

After commencement of the LYNK & CO Wholesale Financing Business, Genius AFC will enter into individual Wholesale Facility Agreements with the LYNK & CO Dealers, pursuant to which Genius AFC will provide LYNK & CO Wholesale Financing to such LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the Wholesale Facility Agreements (including, among others, pricing policy, loan term and credit limits, subsidies etc.) that Genius AFC will enter into with each of these LYNK & CO Dealers are expected to be consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

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### 4.3 *The Retail Loan Agreements*

Genius AFC will enter into the Retail Loan Cooperation Agreements with the LYNK & CO Dealers. Pursuant to the Retail Loan Cooperation Agreements to be entered into between Genius AFC and the LYNK & CO Dealers, the LYNK & CO Dealers shall recommend their retail customers (i.e. the LYNK & CO Retail Customers) to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles.

After the commencement of the LYNK & CO Retail Financing Business, Genius AFC will enter into individual Retail Loan Agreements with the LYNK & CO Retail Customers, pursuant to which Genius AFC will provide LYNK & CO Retail Financing to such LYNK & CO Retail Customers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the Retail Loan Agreements (including, among others, pricing policy, loan term and credit limits etc.) that Genius AFC will enter into with such LYNK & CO Retail Customers are expected to be consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

## 5. **The Wholesale Annual Caps and the Retail Annual Caps**

### 5.1 *The Wholesale Annual Caps*

With reference to the Letter from the Board, there are no historical figures for the LYNK & CO Wholesale Financing as the LYNK & CO Wholesale Financing Business to be carried out by Genius AFC is expected to commence in the first quarter of 2018. The table below sets out the Wholesale Annual Caps for each of the three years ending 31 December 2020:

	<b>Estimated annual caps for the year ending 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
LYNK & CO Wholesale Financing – Maximum new financing amounts to be provided by Genius AFC to LYNK & CO Dealers	13,215	24,450	24,191

#### *Basis of determination of the Wholesale Annual Caps*

As stated in the Letter from the Board that in determining the proposed Wholesale Annual Caps, the Group has taken into account:

- (i) the projected units of LYNK & CO-branded vehicles to be purchased by the LYNK & CO Dealers for each of the years ending 31 December 2018, 2019 and 2020 which was determined by the Group with reference to the anticipated number of dealers, the sales volume projection of and the anticipated production capacities for the manufacturing plants of the LYNK & CO-branded vehicles;

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- (ii) the expected average selling price of LYNK & CO-branded vehicles to LYNK & CO Dealers for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group based on the internal pricing policy for the LYNK & CO-branded vehicles to retail customers, taking into consideration the proposed marketing incentive to be provided to the LYNK & CO Dealers; and
- (iii) the estimated wholesale finance coverage by Genius AFC's LYNK & CO Wholesale Financing Business (the "**Genius LYNK Wholesale Finance Coverage**") of 30% for each of the years ending 31 December 2018, 2019 and 2020. The Genius LYNK Wholesale Finance Coverage represents the estimated percentage of the LYNK & CO Dealers' purchases which are financed by loans provided by Genius AFC. When estimating the Genius LYNK Wholesale Finance Coverage, Genius AFC has taken into account its business development and situation, and has also made reference to the historical average wholesale finance coverage of the automobile financing industry in the PRC in 2016 of 16.4%.

In determining the Wholesale Annual Caps, Genius AFC has adopted a wholesale finance coverage of 30% for each of the years ending 31 December 2018, 2019 and 2010, representing a buffer of 13.6% over the historical average wholesale finance coverage of the automobile financing industry in the PRC in 2016 of 16.4%, after taking into account (i) the relationship between LYNK & CO Sales and Genius AFC and that Genius AFC is the preferred partner of LYNK & CO Sales; (ii) the growth potential of the LYNK & CO Wholesale Financing Business in light of the subsidies that may be granted to the benefit of the LYNK & CO Dealers in order to promote the LYNK & CO Wholesale Financing Business as well as the promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC as stipulated in the LYNK & CO Finance Cooperation Agreement.

Based on our discussion with the management of the Genius AFC, we were given to understand that when determining the estimated Genius LYNK Wholesale Finance Coverage, Genius AFC has considered the historical average dealers' coverage of auto financing industry in the PRC for the year of 2016 (as disclosed in the Report that was mentioned in paragraph headed "Information on LYNK & Co Sales" above) and the first six months of 2017 released by the Association.

### *Assessment of the Wholesale Annual Caps*

In order to assess the fairness and reasonableness of the proposed Wholesale Annual Caps, we have obtained and reviewed the Group's internal projections (the "**Projections**") of the proposed Wholesale Annual Caps and enquired the Management about the primary assumptions behind the Projections. We were given to understand that when preparing the Projections, the Management have considered the anticipated number of dealers, the anticipated production capacities for the manufacturing plants of LYNK & CO-branded

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vehicles, the expected market sentiment of the PRC's auto financing industry for the upcoming years and with reference to the historical average wholesale finance coverage of the auto financing industry in the PRC of 2016 and the first half of 2017 ("**2017 Six Months Data**").

For our due diligence purpose, we have discussed with the management of the Group and the number of confirmed dealers and agreed number of LYNK & CO-branded vehicles which will be sold by the LYNK & CO Dealers. We were informed by the Management that since the launched of marketing exercises of the LYNK & CO-branded vehicle in the PRC, the Group has received an overwhelmingly positive response from the auto dealers enquiring to become dealers of LYNK & CO-branded vehicles. The management of the Group advised that they select its dealers for LYNK & CO-branded vehicle based on a number of factors including the planned location of 4S store/outlet store, financial strength, profitability (sales, market share rankings), business philosophy of the dealers and management capabilities etc. The management of the Group further advised that upon completion of the construction of new outlet/4S store, the Group will inspect the outlet and then enter into a definite dealership agreement if the results of the inspection are satisfactory.

As at the Latest Practicable Date, (i) the number of dealers selected by the Group to commence construction of 4S store/outlet store has already exceeded their planned number of dealers at the ended of 2017 of approximately 60%; (ii) the Group was still in the process of signing dealership agreement. All dealership agreements have a term commencing from 1 December 2017 and ending 31 December 2018. We have obtained and reviewed the sample of the signed dealership agreement and noted that the aforesaid were in line with the agreement.

In addition, during our review of the calculation of the proposed Wholesale Annual Caps, we noted that the expected annual sales volume of LYNK & CO-branded vehicles for the years ending 31 December 2018, 2019 and 2020 represents approximately 84.4%, 89.7% and 56.0% respectively to the designed annual production capacity of the manufacturing plants for the LYNK & CO-branded vehicles. We understand from the management of the Company that there will be new production bases for the LYNK & CO-branded vehicles to commence operation in 2019 and 2020 which is expected to further increase the total production capacity of LYNK & CO-branded vehicle so as to meet the respective estimated increase in sales volume for the two years ending 31 December 2020.

In addition, we have obtained and reviewed (i) the documents in respect of the designed and planned production capacities in respect of the manufacturing plants for the LYNK & CO-branded vehicles; and (ii) the publicly available data in respect of the latest selling price and total units of similar type of vehicles sales by the comparable peers of the LYNK & CO-branded vehicles, we noted that all are in line with the Projections.

When determining the percentage of the Genius LYNK Wholesale Finance Coverage, the management of Genius AFC has considered the historical average wholesale finance coverage of auto financing industry in the PRC for the year of 2016 (as disclosed in the Report) and the 2017 Six Months Data (the "**2017 Market Wholesale Coverage**"). Since the 2017 Six Months Data and 2017 Market Wholesale Coverage are not publicly available information, we have compared the percentage of Genius LYNK Wholesale Finance Coverage

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with the relevant percentage as disclosed in the Report. We noted that the percentage of the Genius LYNK Wholesale Finance Coverage adopted for each of the years ending 31 December 2018, 2019 and 2020 was higher than the relevant percentage as set out in the Report for the year of 2016. We noted that the based rate adopted by Genius AFC is similar to the corresponding rate as set out in the Report, nevertheless, the Genius LYNK Wholesale Finance Coverage has built-in a buffer of approximately 13.6%. We were informed by the management of Genius AFC that given (i) the respective background of the Company and Genius AFC; (ii) the relationship between the Company and Genius AFC where Genius AFC is a preferred partner of LYNK & CO; (iii) the Company's 2016 Annual Report and 2017 Interim Report disclosed that the Group's performance exceeded and continued to exceed the Management's expectations, with total sales volume in the PRC up approximately 50.2% compare with that of 2015 and approximately 95.3% in the first half of 2017 as compared with that of 2016; (iv) Genius AFC will enable the Company to enhance its services to its customers and strengthen its competitiveness in the market and as well as to benefit from the fast-growing auto financing business in the PRC, the Genius LYNK Wholesale Finance Coverage therefore has built in a buffer in order to address any unexpected increase in the sales of the LYNK & CO-branded vehicles and/or any possible growth in the wholesale-financing-business of the LYNK & CO-branded vehicle sales.

We also noted that the proposed Wholesale Annual Caps for the year ending 31 December 2019 represented an increase of approximately 85.0% as compared to that for the year ending 31 December 2018 which was mainly due to an expected substantial increase in sales units of LYNK & CO-branded vehicles because the management of the Group currently expected that there will be 5 LYNK & CO-branded car models to be launched in 2019 compared with 3 LYNK & CO-branded car models to be launched in 2018. Also, the proposed Wholesale Annual Caps for the year ending 31 December 2020 represented a mild decrease of approximately 1.1% as compared to that for the year ending 31 December 2019 which was mainly due to an expected launch of new products with a lower average car price. In order to assess the market reaction in connection with the LYNK & CO-branded vehicle, we have conducted search on public domain. Based on our findings, we note that it is a common view from market analysts that the LYNK & CO-branded vehicles could bring positive impact for the Company. In particular, we note the news entitled "Nomura ups Geely Automobile (00175) to HK\$31.3" from the website of etnet ([www.etnet.com.hk](http://www.etnet.com.hk)) on 2 November 2017 that Nomura Research "*raised its 2018/19 EPS estimates by 7%/14% as it turned even more constructive on LYNK's product competitiveness ahead of its launch at Guangzhou Auto Show starting on 17 November. Nomura estimated LYNK will account for 20% of Geely's 2019 total sales volumes and underpin Geely's robust 42% EPS CAGR during 2016-19.*"

We are of the view that the entering into of the LYNK & CO Financing Arrangement laid the foundation for the cooperation between the Company, Genius AFC and LYNK & CO Sales, in particular, given that Genius AFC is the Group's preferred partner in the auto financing business. Also, as stated in the Company's 2016 Annual Report that, among other things, the new LYNK & CO brand, is one of the key parts of the Group's strategy to expand its sales beyond the PRC market, to improve the Group's competitiveness against major international brands and thus to sustain longer-term growth. Therefore, together with the encouraging performance of vehicles sales recorded by the Group since 2016 and the generally

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positive outlook for the automobile industry and the auto financing industry in the upcoming years, we are of the view that it is in the interests of the Company and its Shareholders to determine the proposed Wholesale Annual Caps in a way that can accommodate the potential and further growth of the Group's business rather than to set the proposed Wholesale Annual Caps at a lower percentage that would limit the growth potential of the transactions under the LYNK & CO Financing Arrangements, which would set the barrier to deter the growth of the businesses of the Group, Genius AFC and LYNK & CO Sales. Furthermore, given the existence of the risk and internal control measures adopted by Genius AFC as discussed in our letter and the continuing connected transactions as stipulated under the LYNK & CO Financing Arrangements are subject to annual review by the independent non-executive Directors and the Company's auditor, such annual review shall safeguard the interests of the Independent Shareholders. Based on the above, we consider the proposed Wholesale Annual Caps are fair so far as the Independent Shareholders are concerned.

### 5.2 *The Retail Annual Caps*

With reference to the Letter from the Board, there are no historical figures for the LYNK & CO Retail Financing as the LYNK & CO Retail Financing Business to be carried out by Genius AFC is expected to commence in the first quarter of 2018. The table below sets out the Retail Annual Caps for each of the three years ending 31 December 2020:

	Estimated annual caps for the year ending 31 December		
	2018	2019	2020
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
LYNK & CO Retail Financing Business – Maximum new financing amounts to be provided by Genius AFC to LYNK & CO Retail Customers	9,544	20,601	23,295

#### *Basis of determination of the Retail Annual Caps*

In determining the proposed Retail Annual Caps, Genius AFC has taken into account:

- (i) the projected number of units of LYNK & CO-branded vehicles to be purchased by the LYNK & CO Retail Customers for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group with reference to the anticipated number of dealers, the sales volume projection of and the anticipated production capacities for the manufacturing plants of the LYNK & CO-branded vehicle;

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- (ii) the expected average retail selling price of LYNK & CO-branded vehicles for each of the years ending 31 December 2018, 2019 and 2020, which was determined by the Group based on the internal pricing policy for the LYNK & CO-branded vehicles to retail customers;
- (iii) the expected required down-payment percentage for the retail borrowers; and;
- (iv) the estimated retail penetration by Genius AFC's LYNK & CO Retail Financing Business of 30%, 35% and 40% for each of the three years ending 31 December 2018, 2019 and 2020 (the "**Genius LYNK Retail Finance Penetration**"), taking into account the growth potential of Genius AFC's LYNK & CO Retail Financing Business. The Genius LYNK Retail Finance Penetration represents the estimated percentage of the LYNK & CO Retail Customers' purchases which are financed by loans provided by Genius AFC. When determining the Genius LYNK Retail Finance Penetration, Genius AFC has taken into account its business development and situation, and has also made reference to the historical average retail penetration of the auto financing industry in the PRC for the year of 2016 of 15.5% (as disclosed in the Report) and the 2017 Six Months Data (the "**2017 Market Retail Penetration**").

In determining the proposed Retail Annual Caps, Genius AFC has adopted a retail penetration of 30%, 35% and 40% for each of the years ending 31 December 2018, 2019 and 2020, representing a buffer of 14.5%, 19.5% and 24.5%, respectively, over the historical average retail penetration of the automobile financing industry in the PRC in 2016 of 15.5%, after taking into account (i) the relationship between LYNK & CO Sales and Genius AFC and that Genius AFC is the preferred partner of LYNK & CO Sales; (ii) the growth potential of the LYNK & CO Retail Financing Business in light of the subsidies that may be granted for the promotional campaigns in relation to the LYNK & CO Retail Financing offered by Genius AFC to the LYNK & CO Retail Customers from the LYNK & CO Dealers as well as the promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase the finance penetration of Genius AFC and the sale of LYNK & CO-branded vehicles in the PRC as stipulated in the LYNK & CO Finance Cooperation Agreement.

### *Assessment of the Retail Annual Caps*

Based on our review of the Projection of the proposed Retail Annual Caps and enquired the Management about the primary assumptions behind the Projections. We were advised by the Management that when preparing the Projections, they have assumed there will be a minimal (about 1%) increase in the expected average retail selling price of LYNK & CO-branded vehicles for the year of 2019 as compare with that of 2018 due to the launch of vehicles with higher price and there will be a mild (about 5.6%) decrease in the expected average retail selling price of LYNK & CO-branded vehicles for the year of 2020 as compare with that of 2019 due to the expected launch of vehicles with higher price.

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In respect of the Genius LYNK Retail Finance Penetration, we were given to understand that the management of Genius AFC adopted an estimated percentage of 30% for the year ending 31 December 2018, 35% for the year ending 31 December 2019 and 40% for the year ending 31 December 2020. Since the 2017 Six Months Data and 2017 Market Retail Penetration are not publicly available information, we have compared the percentage of Genius LYNK Retail Finance Penetration with the relevant percentage as disclosed in the Report, each of such percentage adopted by Genius AFC was higher than the relevant percentage as set out in the Report of approximately 15.5% for the year of 2016. We noted that the based rate adopted by Genius AFC is similar to the relevant rate as set out in the Report, nevertheless, the Genius LYNK Retail Finance Penetration has built-in a buffer of approximately 14.5%, 19.5%, and 24.5% for the year ending 31 December 2018, 2019, and 2020. We were informed by the management of Genius AFC that given the same reasons as mentioned under items (i) to (vi) in the sub-paragraph headed “Assessment of Wholesale Annual Caps” above, namely, (i) the respective background of the Company and Genius AFC; (ii) the relationship between the Company and Genius AFC where Genius AFC is a preferred partner of LYNK & CO; (iii) the Company’s 2016 Annual Report and 2017 Interim Report disclosed that the Group’s performance exceed and continued to exceed the Management’s expectations, with total sales volume in the PRC up approximately 50.2% compared with that of 2015 and approximately 95.3% in the first half of 2017 as compared with that of 2016; (iv) Genius AFC will enable the Company to enhance its services to its customers and strengthen its competitiveness in the market and as well as to benefit from the fast-growing auto financing business in the PRC, the Genius LYNK Retail Finance Penetration therefore has built-in the buffer in order to accommodate for any unexpected increase in the sales of the LYNK & CO-branded vehicles.

We also noted that the proposed Retail Annual Caps for the year ending 31 December 2019 represented a surge of approximately 115.86% as compared to that for the year ending 31 December 2018 which was mainly due to an expected substantial increase in the sales units of LYNK & CO-branded vehicles and a mild increase in the expected average retail selling price of LYNK & CO-branded vehicles while the proposed Retail Annual Caps for the year ending 31 December 2020 represented an increase of approximately 13.1% as compared to that for the year ending 31 December 2019 which was mainly due to an expected moderate increase in the number of car sales.

Again, same as our view and the conclusion for the proposed Wholesale Annual Caps as mentioned in the paragraph headed “Assessment of the Wholesale Annual Caps” above, we consider the proposed Retail Annual Caps is fair so far as the Independent Shareholders are concerned.

### **6. Relevant internal control measures**

Set out below are the internal control measures to be adopted by Genius AFC and the Company in relation to the LYNK & CO Financing Arrangements as extracted from the Letter from the Board:



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### *Internal control within Genius AFC*

Based on customer requirements, all loan and product pricing proposals (including any subsequent modifications) are prepared by Genius AFC's sales and marketing department. In order to ensure that the pricing basis for the LYNK & CO Finance Cooperation Agreements is adhered to, the finance department of Genius AFC will monitor the fluctuations of the interest rates in the market at least on a monthly basis (or more frequently if it is determined necessary), which include, amongst others, the PBOC lending base rates, so as to ensure that the interest rates offered for the loan proposal will be higher than the PBOC lending base rates for similar types of loans under similar terms and conditions. In addition, Genius AFC's sales and marketing department communicates with the LYNK & CO Dealers on an ongoing basis to pursue the terms of the Wholesales Facility Agreement and the Retail Loan Agreement are in line with the general auto finance market practice. The finance department of Genius AFC will prepare reports on market interest rates and review these reports in a finance committee meeting at least monthly (or more frequently if it is determined necessary). These reports are distributed to sales and marketing department, finance department, operation department, risk department, legal and compliance department and information and technology department of Genius AFC for review whenever necessary. All loan and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by Genius AFC's finance department (which is responsible for keep abreast of market interest rates, including but not limited to the PBOC lending base rates, Shanghai interbank offered rates, and interest rates of bank note, assets backed securities, financial bond and other financial instruments and ensuring product pricing proposals are in line with overall financial planning and budget), operation department (which is responsible for ensuring the operational feasibility by assessing whether the existing manpower, software system, standard and procedures and other internal resources are comprehensive and sufficient enough for the product pricing proposals and considering whether training is required for the staff of Genius AFC to understand any new product pricing proposals), risks department (which is responsible for assessing whether the product pricing proposals are acceptable from risk perspective), legal and compliance department (which is responsible for ensuring whether the loan and product pricing proposals comply with applicable law and regulations) and information technology department (which is responsible for making any necessary changes or enhancement to the existing software systems in respect of the LYNK & CO Wholesale Financing Business and the LYNK & CO Retail Financing Business to support any new product pricing proposals if the existing software system is insufficient to satisfy the operational requirements for the new product pricing proposal. The product pricing proposals will then be submitted to the sales and marketing committee for final approval. Such committee includes the general manager and chief financial officer of Genius AFC, together with the respective heads of Genius AFC's risks, sales and marketing, operation, and finance departments.

In addition, we are advised by the management of Genius AFC that in order to ensure compliance with the relevant rules and regulations in the PRC and to monitor risk control, Genius AFC has adopted internal audit policies. The head of internal audit of Genius AFC, who is nominated by the chairman, deputy directors and directors of Genius AFC, would carry out quarterly and irregular audit on the businesses of Genius AFC, including but not limited to the management process, risk management, compliance, policies and procedures. The results of internal audit findings will be reported directly to the board of directors of Genius AFC.

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Further, to ensure the actual new financing amounts will not exceed the Wholesale Annual Caps and the Retail Annual Caps, Genius AFC will prepare specific monthly reports to show the actual transaction volumes and amounts as compared to the Wholesale Annual Caps and Retail Annual Caps. Once the actual transaction amounts reached certain levels (being 70% of the Wholesale Annual Caps or Retail Annual Caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the Wholesale Annual Caps and the Retail Annual Caps under the LYNK & CO Finance Cooperation Agreement would not be exceeded or to commence necessary process to revise the Wholesale Annual Caps and/or the Retail Annual Caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

### *Internal control within the Group*

The internal audit department of the Group will also conduct assessment on, at least annually (or more frequently if it is determined necessary), the internal control measures for all continuing connected transactions of the Company at least annually (or more frequently if it is determined necessary) to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Independent Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor review and confirm whether all continuing connected transactions have been approved by the Board; were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

In addition to the above, according to the Listing Rules, the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement are subject to a number of controls which include, among other things:

- the proposed annual caps for the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement for each of the three financial years ending 31 December 2020 will not be exceeded;
- the independent non-executive Directors must, in accordance with the Listing Rules, review annually the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement and confirm in the Company's annual report whether the continuing connected transactions contemplated under the Service Agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- the auditors of the Company must, in accordance with the Listing Rules, review annually the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement and they must confirm to the Board that whether anything has come to their attention that causes them to believe that the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement; and (d) have exceeded the proposed annual caps with respect to the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement;
- the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditor cannot confirm the matters as required;
- the Company must allow the auditor of the Company sufficient access to their records of the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement for the purpose of the auditor's reporting on the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement. The Board must state in the annual report whether the auditor of the Company has confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement exceeds the relevant annual caps, or that there is any material amendment to the terms of the LYNK & CO Finance Cooperation Agreement.

Having taken into consideration the above, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions contemplated under the LYNK & CO Finance Cooperation Agreement and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above and as summarised below, we are of the opinion that (i) the LYNK & CO Financing Arrangements (including the proposed Wholesale Annual Caps and Retail Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the LYNK & CO Financing Arrangements are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the LYNK & CO Financing Arrangements and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in this regard.

- Genius AFC is a non-bank financial institution established under the laws of the PRC, its operation is subject to the ongoing supervision and reporting to the CBRC and the PBOC;
- the Auto Loans Measures promulgated by the PBOC and CBRC set out certain compliance (including but not limited to maintaining certain financial ratios at all times, reporting to CBRC, the lending interest rate, the term of auto loan and security etc) and risk management measures in relation to the operation of auto loan companies. The management of Genius AFC confirmed that they are not aware of any record of non-compliance with relevant laws and regulations of the PRC. Based on our review of letter from the CBRC, we concur with the said view of the management of Genius AFC;
- based on our search on public domain, we note the market outlook for auto finance industry in the PRC is generally positive and the common view in the market in respect of the possible positive impact of LYNK & CO-branded vehicles to the Group in the coming years;
- both strong sales and financial performance of the Company in the past two years have exceeded the expectation of the management of the Company;
- given (i) the strong sales and financial performance as mentioned above; (ii) the overall positive outlook of auto finance industry; (iii) our search results on public domain that shows the common positive view on the potential impact of LYNK & CO branded vehicles would bring to the Group in the coming years; and (iv) the control/monitoring measures for continuing connected transaction under the Listing Rules as mentioned on pages 48 and 49 above, we consider it is reasonable to allow a percentage of buffer which is not too low in order to address any unexpected increase in the sales of the LYNK & CO-branded vehicles and/or any possible growth in the wholesale and retail financing-business of the LYNK & CO-branded vehicle sales;
- the principal business of LYNK & CO Sales is sales and marketing and provision of after-sales service of LYNK & CO-branded vehicle. Pursuant to the LYNK & CO Finance Cooperation Agreement, Genius AFC and LYNK & CO Sales have agreed to work together to undertake promotional activities, incentives and training to increase the sale of LYNK & CO-branded vehicles in the PRC. We consider the entering into of the LYNK & CO Financing Arrangement laid the foundation for the cooperation between the Company, Genius AFC and LYNK & CO Sales. Also, it is in the interests of the Company and its Shareholders to determine the proposed annual caps in a way that can accommodate the potential and further

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growth of the Group's business. If setting the lower proposed annual caps would impose the barrier to deter the growth of the businesses of the Group, Genius AFC and LYNK & CO Sales.

Yours faithfully,  
For and on behalf of  
**VBG Capital Limited**  
**Anthony Ng**  
*Managing Director*

*Mr. Anthony Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of VBG Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the investment banking 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 or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	Short position	(%)
<b>Shares</b>				
Mr. Li Shu Fu ( <i>Note 1</i> )	Interest in controlled corporations	3,925,464,000	–	43.77
Mr. Li Shu Fu	Personal	23,140,000	–	0.26
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	200,000	–	0.002

Note:

- Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold interests of 3,925,464,000 shares, representing approximately 43.77% of the total 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.

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

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Share Options</b>				
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

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	Short position	(%)
Mr. Yeung Sau Hung, Alex	Personal	500,000 (Note 4)	–	0.006
Mr. An Qing Heng	Personal	750,000 (Note 4)	–	0.008
Mr. Wang Yang	Personal	1,000,000 (Note 4)	–	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 total 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 total 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 total 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 total issued share capital of the Company when the options are exercised is the same as that as the Latest Practicable Date.



(iii) *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 Ruhoo Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 10)	–	(Note 10)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	(Note 13)	–	(Note 13)
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	(Note 14)	–	(Note 14)

*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, 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. 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 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.

14. 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	–	29.40
Geely Holding (Note 1)	Interest in controlled corporation	3,925,377,000	–	43.77
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,636,705,000	–	29.40
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	8.66

*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 may constitute competing businesses (the "**Competing Businesses**") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "**Undertaking**") on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs the Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "**Volvo Acquisition**"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, 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, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to, transfer to the Group all or any part of the equity/businesses and related assets of the Proton 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. Although the vehicles being produced by Proton Holdings Bhd occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

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

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

Pursuant to the loan guarantee agreement dated 13 November 2015 and the Company's announcement dated 13 November 2015, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group 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 amongst Genius AFC, 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 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 agreed to provide vehicles financing to Volvo 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 recommended 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
VBG Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, VBG Capital Limited:

- (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 Zhejiang Jirun and 寶雞吉利汽車有限公司 (Baoji Geely Automobile Company Limited) (“**Baoji Geely**”), a wholly owned subsidiary of Zhejiang Haoqing, pursuant to which Zhejiang Jirun 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;

- (c) the acquisition agreement dated 1 June 2016 entered into between Zhejiang Jirun and 山西新源汽車工業有限公司 (Shanxi New Energy Automobile Industrial Company Limited) (“**Shanxi Geely**”), a wholly owned subsidiary of Zhejiang Haoqing, pursuant to which Zhejiang Jirun 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;
- (d) the disposal agreement dated 4 August 2017 entered into amongst 浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts & Components Company Limited) (“**Fulin Guorun**”), an indirect wholly owned subsidiary of the Company, and Centurion Industries Limited (“**Centurion**”), a direct wholly owned subsidiary of the Company, and Zhejiang Haoqing pursuant to which Fulin Guorun and Centurion agreed to dispose and Zhejiang Haoqing agreed to acquire the 99% equity interests in 浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited) at an aggregate consideration of RMB1,241,686,840;
- (e) the joint venture agreement dated 4 August 2017 entered into amongst Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to which they agreed to form a joint venture, namely the LYNK & CO, 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 such joint venture agreement, LYNK & CO is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. The registered capital of the LYNK & CO is RMB7,500,000,000, which is contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash in proportion to their respective equity interests in the LYNK & CO;
- (f) the disposal agreement dated 26 October 2017 entered into between Zhejiang Jirun and LYNK & CO pursuant to which Zhejiang Jirun agreed to dispose of the entire 100% equity interests in 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited), to LYNK & CO at a consideration of RMB100,000,000;
- (g) the acquisition agreement dated 7 November 2017 entered into between Geely Luoyou and Zhejiang Geely pursuant to which Geely Luoyou has conditionally agreed to acquire and Zhejiang Geely has conditionally agreed to sell the entire issued share capital of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited) for a consideration of RMB345,100,000;
- (h) the acquisition agreement dated 7 November 2017 entered into amongst Geely Luoyou, Zhejiang Geely and Shanghai Maple pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell the entire issued share capital of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited) for a consideration of RMB495,000,000; and
- (i) the acquisition agreement dated 7 November 2017 entered into between Geely Luoyou and Geely Holding pursuant to which Geely Luoyou has conditionally agreed to acquire and Geely Holding has conditionally agreed to sell the entire issued share capital of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited) for a consideration of RMB993,100,000.

**8. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in 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 Wednesday, 27 December 2017:

- (a) the copy of the LYNK & CO Finance Cooperation Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2015 and 31 December 2016;
- (d) the condensed consolidated financial statements of the Group for the six months ended 30 June 2017;
- (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 VBG Capital Limited;
- (h) the written consent from VBG Capital Limited referred to in the paragraph headed "QUALIFICATION OF EXPERT" in this appendix; and
- (i) this circular.

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## NOTICE OF EGM

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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)

**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 Wednesday, 27 December 2017 at 4:00 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

**“THAT:**

- a) the conditional cooperation agreement dated 3 November 2017 (the “**LYNK & CO Finance Cooperation Agreement**”) entered into between Genius AFC (as defined in the circular of the Company dated 8 December 2017 (the “**Circular**”)) and LYNK & CO Sales (as defined in the Circular), a copy of which is tabled at the meeting and marked “A” as initialed by the chairman of the EGM for identification purpose, pursuant to which, Genius AFC agreed to supply vehicle financing services to the LYNK & CO Dealers (as defined in the Circular) and LYNK & CO Retail Customers (as defined in the Circular) for their purchase of LYNK & CO-branded vehicles, be and are hereby approved, ratified and confirmed;
- b) the Wholesale Annual Caps (as defined in the Circular) and the Retail Annual Caps (as defined in the Circular) in respect of the Genius AFC’s provision of maximum new financing amounts to LYNK & CO Dealers (as defined in the Circular) and LYNK & CO Retail Customers (as defined in the Circular), respectively as set out in the Circular for each of the three financial years ending 31 December 2018, 2019 and 2020 be and are hereby approved; and
- c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to delegate an appropriate officer overseeing the management and operation of Genius AFC to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be necessary, appropriate, desirable or expedient to implement and/or give effects to the LYNK & CO Finance Cooperation Agreement and the LYNK & CO Financing Arrangements (as defined in the Circular).”

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

Hong Kong, 8 December 2017

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## NOTICE OF EGM

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*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.*