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

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

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吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited



CIMB Securities (HK) Limited

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



A letter from the Board is set out on pages 4 to 16 of this circular and a letter from the Independent Board Committee is set out on pages 17 of this circular. A letter from Quam Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Continuing Connected Transactions is set out on pages 18 to 40 of this circular.

A notice convening the EGM of Geely Automobile Holdings Limited to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 23 September 2009 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

8 September 2009

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Non-exempted Continuing Connected Transactions for each of the three financial years ending 31 December 2011 as set out under the section headed “Determination of Proposed Caps”
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CBU Agreement”	the master agreement dated 20 August 2009 entered into between the Company and Geely Holding as referred to under the sub-section headed “(III) CBU Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Non-exempted Agreements and the Caps in relation to the Non-exempted Continuing Connected Transactions
“Existing Services Agreement”	the master agreement dated 17 September 2007 entered into between the Company and Geely Holding for, amongst others, the purchase of automobile parts and components by the Group from Geely Holding Group, details of which are contained in the announcement dated 17 September 2007 and the circular dated 31 October 2007
“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

DEFINITIONS

“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Non-exempted Continuing Connected Transactions (including the relevant Caps)
“Independent Shareholders”	Shareholder(s) other than Geely Holding and any of its respective associates
“Latest Practicable Date”	4 September 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, a Director holding 51.54% interest in the issued share capital of the Company as at the date of this circular
“Non-exempted Agreements”	collectively, the R&D Agreement, the Services Agreement, the CBU Agreement and the Supplemental Parts and Components Agreement
“Non-exempted Continuing Connected Transactions”	the Non-exempted Agreements and the transactions contemplated thereunder
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Quam Capital”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Non-exempted Continuing Connected Transactions (including the relevant Caps)

DEFINITIONS

“R&D”	research and development
“R&D Agreement”	the master agreement dated 20 August 2009 entered into between the Company and Geely Holding as referred to under the sub-section headed “(I) R&D Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Services Agreement”	the master agreement dated 20 August 2009 entered into between the Company and Geely Holding as referred to under the sub-section headed “(II) Services Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Parts and Components Agreement”	the master agreement dated 20 August 2009 entered into between the Company and Geely Holding as referred to under the sub-section headed “(IV) Supplemental Parts and Components Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“%”	per cent.

Note: For the purpose of this circular, the exchange rate of RMB 1 =HK\$1.1364 has been used for currency translation where applicable. Such exchange rate is for illustration purposes and does not constitute representation that any amount in HK\$ could have been or could be converted at the above rate or at all.

LETTER FROM THE BOARD



吉利汽車控股有限公司 GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

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

Non-executive Directors:

Mr. Xu Gang

Independent Non-executive Directors:

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

Registered Office:

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

*Principal Place of Business
in Hong Kong:*

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

8 September 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 20 August 2009 in which the Company announced that, inter alia, the Group entered into the Non-exempted Agreements with Geely Holding Group which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the R&D Agreement, the Services Agreement and the CBU Agreement are new continuing connected transactions, while the Supplemental Parts and Components Agreement is a supplemental agreement to the Existing Services Agreement.

LETTER FROM THE BOARD

The purposes of this circular are (i) to provide the Shareholders with information on the Non-exempted Continuing Connected Transactions; (ii) to set out the view of the Independent Board Committee in respect of the fairness and reasonableness of the terms and conditions and the relevant Caps of the Non-exempted Continuing Connected Transactions; and (iii) to set out the letter of advice from Quam Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the fairness and reasonableness of the terms and conditions and the relevant Caps of the Non-exempted Continuing Connected Transactions.

THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(I) R&D Agreement

Date: 20 August 2009

Parties: The Company; and

Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li, a Director holding approximately 51.54% interest in the issued share capital of the Company, and his associates

Subject matter: Engagement in R&D in accordance with the product and service specifications set out in the R&D Agreement by the Company to Geely Holding and vice versa

Term: From the effective date of the R&D Agreement to 31 December 2011

It is a term of the R&D Agreement that the fees receivable from and payable to Geely Holding shall be based on the cost of the R&D, including the cost of materials, experiment, development, examination, research, depreciation of relevant equipment, staff and overhead, administration, finance and tax.

Condition precedent:

The R&D Agreement will be subject to approval by the Independent Shareholders at the EGM convened to approve, among others, the R&D Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the R&D Agreement will lapse and all the obligations and liabilities of the parties to the R&D Agreement will cease and terminate.

LETTER FROM THE BOARD

(II) Services Agreement

Date: 20 August 2009

Parties: The Company; and

Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li, a Director holding approximately 51.54% interest in the issued share capital of the Company, and his associates.

Subject matter: Sales of (i) automobile parts and components, (ii) brakes, and (iii) pressing parts, engines and transmissions by the Group to the Geely Holding Group; and purchase of processed automobile parts and components by the Group from the Geely Holding Group. During the course of the Services Agreement, the Group may request additional services other than the aforesaid services from the Geely Holding Group and vice versa. The additional services, subject to the Group's or the Geely Holding Group's (as the case maybe) ability in providing the requested services based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and compliance with the Listing Rules.

Term: From the effective date of the Services Agreement to 31 December 2011

In respect of the sales of automobile parts and components by the Group, it is a term of the Services Agreement that:

- (i) the selling price of automobile parts and components (汽車零部件) shall be based on sourcing cost plus the relevant service cost(s), being the actual cost(s) incurred in the procurement process by the Group;
- (ii) the selling price of brakes (制動器) shall be based on market price which is no less favorable to the Group than to other independent third parties. If no such market price is available, the selling price shall be determined by arm's length negotiations between the Group and the Geely Holding Group based on normal commercial terms;
- (iii) the selling price of pressing parts, engines and transmissions (沖壓件、發動機和變速器) shall be based on sourcing cost plus the relevant processing cost, transportation cost and taxes;

LETTER FROM THE BOARD

In respect of the purchase of processed automobile parts and components by the Group, it is a term of the Services Agreement that the purchase price of the processed automobile parts and components shall be based on market price which is no less favorable to the Group than to other independent third parties. If no such market price is available, the purchase price shall be determined by arm's length negotiations between the Group and the Geely Holding Group based on normal commercial terms.

Condition precedent:

The Services Agreement will be subject to approval by the Independent Shareholders at the EGM convened to approve, among others, the Services Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Services Agreement will lapse and all the obligations and liabilities of the parties to the Services Agreement will cease and terminate.

(III) CBU Agreement

Date: 20 August 2009

Parties: The Company; and

Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li, a Director holding approximately 51.54% interest in the issued share capital of the Company, and his associates.

Subject matter: Sales of CBUs by the Group to Geely Holding Group; and purchase of CBUs by the Group from Geely Holding Group

Term: From the effective date of CBU Agreement to 31 December 2011

In respect of the sales of CBUs to Geely Holding Group, it is a term of the CBU Agreement that:

- (i) the sales of CBU will be conducted on normal commercial terms and negotiated on arm's length basis; and
- (ii) the CBU shall be sold to Geely Holding Group based on market price which is no less favorable to Group than to other independent third parties.

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In respect of the purchase of CBUs from Geely Holding Group, it is a term of the CBU Agreement that:

- (i) the purchase of CBU will be conducted on normal commercial terms and negotiated on arm's length basis; and
- (ii) the CBU shall be purchased by the Group at cost plus tax.

Condition precedent:

The CBU Agreement will be subject to approval by the Independent Shareholders at the EGM convened to approve, among others, the CBU Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the CBU Agreement will lapse and all the obligations and liabilities of the parties to the CBU Agreement will cease and terminate.

(IV) Supplemental Parts and Components Agreement

Date: 20 August 2009

Parties: The Company; and

Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li, a Director holding approximately 51.54% interest in the issued share capital of the Company, and his associates.

Subject matter: To increase the annual cap of the Existing Service Agreement for the purchase of automobile parts and components from the Geely Holding Group by the Group for the year ending 31 December 2009 from RMB3,673,960,000 (equivalent to approximately HK\$4,175,088,000) to RMB7,737,614,000 (equivalent to approximately HK\$8,793,025,000).

Save for the increase in the annual cap for the year ending 31 December 2009, and the update of the condition precedent (as detailed below), the other terms of the Supplemental Parts and Components Agreement are essentially identical to the Existing Services Agreement.

LETTER FROM THE BOARD

Condition precedent:

The Supplemental Parts and Components Agreement will be subject to approval by the Independent Shareholders at the EGM convened to approve, among others, the Supplemental Parts and Components Agreement.

If the above condition has not been fulfilled on or before 31 December 2009 (or such later date as the parties may agree in writing), the Supplemental Parts and Components Agreement will lapse and all the obligations and liabilities of the parties to the Supplemental Parts and Components Agreement will cease and terminate.

Historical Transaction Amounts

The Company and Geely Holding entered into the Existing Service Agreement on 17 September 2007 pursuant to which the Company agreed to purchase automobile parts and components from the Geely Holding Group. The Existing Service Agreement has an original term commencing from the effective date of the Existing Service Agreement to 31 December 2009. The Existing Service Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 22 November 2007.

The transactions contemplated under the Supplemental Parts and Components Agreement constitute connected transactions of the Company pursuant to the Listing Rules only since 1 July 2008. For the period since 1 July 2008 to 31 December 2008, purchases from the Geely Holding Group by the Group were approximately RMB2,581,269,000 (equivalent to approximately HK\$2,933,354,100). For the six months ended 30 June 2009, purchases from the Geely Holding Group by the Group were approximately RMB2,887,119,000 (equivalent to approximately HK\$3,280,922,000), representing approximately 88.0% of the annual cap of purchases for the year ending 31 December 2009. In view of the anticipated increase in procurement of automobile parts and components from the Geely Holding Group, it is expected that the annual cap for the year ending 31 December 2009 in respect of the Existing Services Agreement will be exceeded. In this connection, the parties agreed to increase the annual cap for the year ending 31 December 2009 from RMB3,673,960,000 (equivalent to approximately HK\$4,175,088,000) to RMB7,737,614,000 (equivalent to approximately HK\$8,793,025,000).

LETTER FROM THE BOARD

DETERMINATION OF PROPOSED CAPS

The proposed Caps of the Non-exempted Continuing Connected Transactions for each of the three years ending 31 December 2009, 2010 and 2011 of the Group:

		Proposed Caps for the financial year ending 31 December		
		2009	2010	2011
		('000)	('000)	('000)
(I)	R&D Agreement			
	– from Geely Holding Group	RMB147,907 (equivalent to approximately HK\$168,082)	RMB64,589 (equivalent to approximately HK\$73,399)	RMB– (equivalent to approximately HK\$–)
	– to Geely Holding Group	RMB66,950 (equivalent to approximately HK\$76,082)	RMB266,955 (equivalent to approximately HK\$303,368)	RMB117,801 (equivalent to approximately HK\$133,869)
	Total	RMB214,857 (equivalent to approximately HK\$244,164)	RMB331,544 (equivalent to approximately HK\$376,767)	RMB117,801 (equivalent to approximately HK\$133,869)
(II)	Services Agreement			
	– Sales of (i) automobile parts and components, (ii) brakes, and (iii) pressing parts, engines and transmissions	RMB192,587 (equivalent to approximately HK\$218,856)	RMB690,399 (equivalent to approximately HK\$784,569)	RMB1,035,599 (equivalent to approximately HK\$1,176,855)
	– Purchase of processed automobile parts and components	RMB30,768 (equivalent to approximately HK\$34,965)	RMB205,296 (equivalent to approximately HK\$233,298)	RMB359,153 (equivalent to approximately HK\$408,141)
	Total	RMB223,355 (equivalent to approximately HK\$253,821)	RMB895,695 (equivalent to approximately HK\$1,017,867)	RMB1,394,752 (equivalent to approximately HK\$1,584,996)

LETTER FROM THE BOARD

Proposed Caps for the			
financial year ending 31 December			
	2009	2010	2011
	('000)	('000)	('000)
(III) CBU Agreement			
– Sales of CBUs	RMB45,000 (equivalent to approximately HK\$51,138)	RMB180,000 (equivalent to approximately HK\$204,552)	RMB264,000 (equivalent to approximately HK\$300,010)
– Purchase of CBUs	RMB336,394 (equivalent to approximately HK\$382,278)	RMB1,205,816 (equivalent to approximately HK\$1,370,289)	RMB1,808,724 (equivalent to approximately HK\$2,055,434)
Total	RMB381,394 (equivalent to approximately HK\$433,416)	RMB1,385,816 (equivalent to approximately HK\$1,574,841)	RMB2,072,724 (equivalent to approximately HK\$2,355,444)
(IV) Purchase of automobile parts and components under the Supplemental Parts and Components Agreement	RMB7,737,614 (equivalent to approximately HK\$8,793,025)	N/A <i>(Note 1)</i>	N/A <i>(Note 1)</i>

Note 1: The proposed cap amounts for purchases of automobile parts and components under the Existing Services Agreement during the two financial years ending 31 December 2011 will be dealt with other continuing connected transactions as announced by the Company on 17 September 2007 in due course.

In determining the proposed Caps, the Board has considered the following factors:

(a) R&D Agreement

The Directors has considered the growth trend of the relevant businesses and taken into account the aggregate research and development projects under contemplation as set out in the project plans. According to the project plans, most of the research and development projects to be provided by the Geely Holding Group relates to improvements of existing car models and are expected to be completed and transferred to the Group by end of year 2010; while most of the research and development projects to be provided by the Group to the Geely Holding Group involve new car models and will commence in the remainder of year 2009, intensify in year 2010 and be expected to complete by end of year 2011;

LETTER FROM THE BOARD

(b) Services Agreement

For determining the proposed Caps for the sales of (i) automobile parts and components, (ii) brakes, and (iii) pressing parts, engines and transmissions (together, the “**Relevant Components**”), the Directors have taken into account the projected units of Relevant Components to be sold to the Geely Holding Group based on the sales budget of the Group for the five months ending 31 December 2009 and two financial years ending 31 December 2011. Given the relevant company of Geely Holding Group has ample production capacity for certain CBUs to be subsequently sold back to the Group after the processing and final assembly together with an estimated volume growth of such CBUs as directed by the Group will increase significantly in the two financial years ending 31 December 2011, the demand for the Relevant Components is expected to increase substantially and therefore the growth trend of the Relevant Components to be sold to the Geely Holding Group is expected to follow;

For determining the proposed Caps for the purchase of processed automobile parts and components, the Directors have taken into account the projected units of automobile parts and components to be sold based on the production budget of the Group for the five months ending 31 December 2009 and two financial years ending 31 December 2011. As it is expected that there will be a continual improvement in the Group’s product mix towards more high-end models, which will require the processed automobile parts and components to be sourced from the Geely Holding Group, together with the substantial demand for these high-end models, the need of processed automobile parts and components for the production of these high-end models are expected to increase substantially in the two financial years ending 31 December 2011;

(c) CBU Agreement

For determining the proposed Caps for the sales of CBUs, the Directors have taken into account the projected units of CBU to be sold based on the sales budget of the Group to the Geely Holding Group and the estimated average selling prices per CBU for the five months ending 31 December 2009 and two financial years ending 31 December 2011. As it is expected that there will be new car models to be launched in the financial year 2010 and 2011 respectively together with an estimated increase in average selling price per CBU across the two-year period, the projected sales of CBU to the Geely Holding Group for distribution are expected to increase significantly;

For determining the proposed Caps for the purchase of CBUs, the Directors have taken into account the projected units of CBU to be purchased based on the sales budget of the Group from the Geely Holding Group and the estimated average selling prices per CBU for the five months ending 31 December 2009 and two financial years ending 31 December 2011. Given the estimated demand of the model of CBU to be purchased from Geely Holding Group will increase significantly in the two financial years ending 31 December 2011, the relevant Cap amounts are expected to increase accordingly;

LETTER FROM THE BOARD

(d) Supplemental Parts and Components Agreement

The Directors have taken into account the historical transaction amounts for the two years ended 31 December 2008 and the six months ended 30 June 2009; and the estimated increase in percentage of total procurement on automobile parts and components by the Group sourcing from the Geely Holding Group until the year ending 31 December 2009.

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

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

R&D Agreement

For the purpose of building a centralized core of technical experts in research and progress towards viable technological improvements and enhancements, the Group and the Geely Holding Group entered into the R&D Agreement so that each party will benefit from the research capability of the other. Under the R&D Agreement, the Group will be able to enjoy the research results of the companies of the Geely Holding Group at cost. Further, the Group has planned to carry out those research and development projects which are to be provided to the Geely Holding Group under the R&D Agreement. Such R&D costs will be borne by the Geely Holding Group after the entering into of the R&D Agreement while the Group can still enjoy the research results for free. Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the R&D Agreement, including its annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Services Agreement

Purchase of processed automobile parts and components

As the Geely Holding Group has a strong research team which is capable of modifying the processed automobile parts and components according to specifications of the Group, the Directors are of the view that the Group will benefit in the purchase of processed automobile parts and components from the Geely Holding Group by securing a reliable source of supply of processed automobile parts and components.

Sales of Relevant Components

The Geely Holding Group acquires the Relevant Components to process and perform final assembly on behalf of the Group. After such processing and final assembly, the CBUs to be manufactured by the Geely Holding Group are to be sold back to the Group at cost plus tax (pursuant to the CBU Agreement), and the Group would then sell and distribute to independent dealers or end customers, with a price based on the selling price of sedans to end customers less distribution costs. No profit

LETTER FROM THE BOARD

would be generated by the Geely Holding Group in such transactions and the profit arises from the sales and distribution to independent dealers or end customers would still be captured by the Group. Further, given the Group is not selling to independent third parties (i) the automobile parts and components, and (ii) the pressing parts, engines and transmissions as referred to in the Services Agreement, and that no profit would be generated by the Geely Holding Group in such transactions, the Directors consider the basis of pricing is fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the Group is selling to independent third parties the brakes as referred to in the Services Agreement, the Directors consider the basis of selling the brakes to the Geely Holding Group at market price which is no less favorable to the Group than to other independent third parties is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Services Agreement, including its annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CBU Agreement

Purchase of CBUs

As mentioned in the above section headed “Services Agreement”, Geely Holding Group will process and final assemble the Relevant Components on behalf of the Group. The CBUs to be manufactured by the Geely Holding Group are to be sold back to the Group at cost plus tax. The Group will then sell and distribute the CBUs to independent dealers or end customers by the Group and the profit arises from such sales and distribution would be captured by the Group. The CBU Agreement is entered into to ensure smooth operation of the Group as the Geely Holding Group in the possession of certain automobile products catalogue issued by the NDRC in the PRC which is required for carrying out automobile manufacturing business, and facilitating the payment of the consumption tax for the sales of automobiles in the PRC.

Sales of CBUs

Given that (i) the Geely Holding has better distribution channels in the PRC; and (ii) the price for the sales of CBUs to the Geely Holding Group under the CBU Agreement will not be less than the price offered to independent third party distributors, the Directors consider that it is in the interest of the Company to sell the CBUs to the Geely Holding Group as it would ensure a stable demand for the Company’s products.

The Directors (including the independent non-executive Directors) are of the view that the terms of the CBU Agreement, including its annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Supplemental Parts and Components Agreement

The Group has been purchasing necessary automobile parts and components from Geely Holding Group under the Existing Services Agreement. The original annual cap in relation to the purchase of automobile parts and components for the year ending 31 December 2009 was determined based on, amongst all, the estimated percentage of total procurement on automobile parts and components sourcing from Geely Holding Group. The Group intended to gradually transfer the sourcing of automobile parts and components from the Geely Holding Group to the Group by signing new contracts with the suppliers. As the migration took longer time than expected, the Group intends to increase the percentage of total procurement on automobile parts and components sourcing from the Geely Holding Group. The Directors (including the independent non-executive Directors) are of the view that the purchase of automobile parts and components contemplated under the Supplemental Parts and Components Agreement, including its annual cap, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the Non-exempted Continuing Connected Transactions (together with the Caps) are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that (i) Geely Holding is wholly-owned by Mr. Li and his associates; (ii) Mr. Li is a Director holding approximately 51.54% interest in the issued share capital of the Company, the R&D Agreement, the Services Agreement, the CBU Agreement and the Supplemental Parts and Components Agreement, and the transactions contemplated thereunder (together, the Non-exempted Continuing Connected Transactions) constitute continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

As the applicable percentage ratios for each of the agreements under the Non-exempted Continuing Connected Transactions is expected to be higher than 2.5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements and the annual review requirements under Chapter 14A of the Listing Rules.

The EGM will be convened to approve the Non-exempted Continuing Connected Transactions. Geely Holding, Mr. Li and its or his respective associates, together hold 3,751,159,000 Shares (representing approximately 51.54% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting for the resolutions to approve the Non-exempted Agreements and the Caps in relation to the Non-exempted Continuing Connected Transactions to be put forward at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Non-exempted Continuing Connected Transactions (together with the Caps) are on normal commercial terms, are entered into in the usual and ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular which contains its view on the Non-exempted Continuing Connected Transactions and the relevant Caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser on pages 18 to 40 which contains its opinion on the terms of the Non-exempted Continuing Connected Transactions and the relevant Caps.

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

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions and the relevant Caps contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



吉利汽車控股有限公司 GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

8 September 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS.

We refer to the circular of the Company to the Shareholders dated 8 September 2009 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders whether the terms and conditions and the relevant caps of the Non-exempted Continuing Connected Transactions are on normal commercial terms, in the usual and ordinary course of business and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Quam Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Non-exempted Continuing Connected Transactions as set out on pages 18 to 40 of the Circular, and the letter from the Board set out on pages 4 to 16 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Quam Capital as stated in its letter of advice, we consider that the terms and conditions and the relevant caps of the Non-exempted Continuing Connected Transactions are on normal commercial terms, in the usual and ordinary course of business and fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions and the relevant Caps.



Financial Services Group

Quam Capital Limited 華富嘉洛企業融資有限公司

A Member of The Quam Group

8 September 2009

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Agreements and the relevant Caps. Details of the terms of the Non-exempted Continuing Connected Transactions and the Caps are set out in the “Letter from the Board” contained in the circular issued by the Company to the Shareholders dated 8 September 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 20 August 2009, the Company entered into the Non-exempted Agreements with Geely Holding. Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associates and Mr. Li is a Director holding approximately 51.54% interest in the issued share capital of the Company. Therefore, the transactions contemplated thereunder will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. All the Non-exempted Continuing Connected Transactions are subject to the approval of the Independent Shareholders at the EGM by way of poll.

LETTER FROM QUAM CAPITAL

Messrs. Song Lin, Lee Cheuk Yin, Dannis and Yeung Sau Hung, Alex, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Non-exempted Agreements have been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; and their respective terms and conditions together with the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favour of the Non-exempted Continuing Connected Transactions and the adoption of the Caps. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Non-exempted Continuing Connected Transactions and the Caps.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background to and reasons for the Non-exempted Continuing Connected Transactions and the Caps

(a) The principal business and development strategies of the Group

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

LETTER FROM QUAM CAPITAL

As disclosed in the annual report of the Company for the year ended 31 December 2008 (the “**2008 Annual Report**”), the Group has embarked on a major strategic transformation since May 2007, through expansion into higher-end and larger-sized vehicles and major investments to enhance its technology competence and product branding, aiming at transforming its competitive advantages from price competitive to technology and performance competent. In view of the above visions, in the medium and longer term, it is the intention of the Group to, among others, (i) invest in product, in particular fuel-efficient and environmentally friendly economy sedans which are encouraged by the PRC government; (ii) focus on technology innovation in order to differentiate its products from the rest of the market; and (iii) establish close partnership with major suppliers to reduce volatility of raw material and component costs, which will stimulate the demand and enhance the revenue base of the Group.

(b) *The R&D Agreement*

As advised by the management of the Company, following completion of the Group’s restructuring in July 2008 involving, among others, the acquisition of additional interests in the Group’s five major operating associates from the Geely Holding Group, the Directors intended to form an alliance with the Geely Holding Group to build a centralised core of R&D experts for the Group’s sedan or automobile-related projects. We were also advised that the R&D team of the Geely Holding Group is currently undergoing certain sedan-related R&D projects focusing on improvements of the Group’s existing sedan models which are expected to be completed by 2010. When the R&D Agreement becomes effective, the Group will be able to enjoy the research results of such R&D projects in a cost-effective manner, which, in the opinion of the Directors, will be essential for progress towards viable technological improvements and enhancements of the Group’s existing sedan models.

As advised by the management of the Company, to accommodate the continuing business expansion of the Group, the Geely Holding Group has and will set up several production bases in the PRC specifically for production of sedans or customised automobile parts and components to be solely used in the manufacturing of the Group’s sedans. In view of this, the Group intends to provide R&D services focusing on development of new sedan models to the said production bases, thus, the benefits of which will be ultimately enjoyed by the Group regardless of the fact that the relevant cost is to be borne by the Geely Holding Group pursuant to the R&D Agreement.

Based on our discussion with the management of the Company regarding the scope and objectives of the R&D projects specified in the R&D Agreement (the “**R&D Projects**”), we understand that such projects are in line with the Group’s stated development strategies as discussed in subsection (a) above, with main focuses on (i) the development of the Group’s new sedan models; (ii) the development of cost-effective and high-efficient parts and components for use in the production of the Group’s new sedan models; and (iii) the improvement of technical know-how in automobile processing for the Group’s sedans. We also noted that although both the Group and the Geely Holding Group have access to the results of the relevant R&D Projects, the essence of the implementation of such R&D Projects is to enhance the competitive advantage of the Group in the PRC automobile market. Given the above, and after taking into account

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the competitive advantages that may be achieved from the technology alliance with the Geely Holding Group and that the results of the relevant R&D Projects are only accessible by the Group and Geely Holding Group and not transferable to any third parties pursuant to the R&D Agreement, we concur with the Directors' view that the entering into of the R&D Agreement is beneficial to the Group's overall business development and expansion.

(c) *The Services Agreement*

- (i) Purchase of processed automobile parts and components from the Geely Holding Group by the Group (the "**Processed Parts Purchase Transaction**")

As advised by the management of the Company, the Geely Holding Group has a strong research team which is capable of modifying the processed automobile parts and components according to specifications of the Group, which are essential and imperative to the Group for lessening production cost while improving product quality and fulfilling customers' needs. Given (i) the Geely Holding Group's in-depth knowledge of the specifications of the Group's sedans which stems from the long-term close working relationship with the Group; and (ii) the fully-compatible and specific nature of the processed automobile parts and components supplied by the Geely Holding Group, we consider that it is reasonable for the Directors to believe that procurement of such processed automobile parts and components from the Geely Holding Group will enable the Group to secure a reliable source of supply and streamline its manufacturing process by ensuring the compatibility and quality standard of the relevant processed automobile parts and components for production of its sedans.

- (ii) Sales of the Relevant Components (as defined below) by the Group to the Geely Holding Group (the "**Components Sales Transaction**")

As advised by the management of the Company, the Geely Holding Group acquires automobile parts and components, brakes, processing parts, engines and transmissions (collectively, the "**Relevant Components**") to process and perform final assembly of CBUs on behalf of the Group. After such processing and final assembly, the CBUs to be manufactured by the Geely Holding Group will be sold back to the Group at cost plus tax pursuant to the terms of the CBU Agreement for onward sales and distribution to dealers or end customers. It is noted that under such business model, no profit will be generated by the Geely Holding Group in such transactions and the profit arisen from the sales of sedans will all be captured by the Group.

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We were advised by the Company that it is the regulatory requirement under the PRC laws that automobile manufacturers are required to be approved by and obtain the relevant automobile products catalogue from the National Development Reform Commission of the PRC (the “**Automobile Products Catalogue**”) to carry out automobile manufacturing business and facilitate the payment of the consumption tax for the sales of automobiles in the PRC. We were further advised by the Company that the Group is not currently in possession of the Automobile Products Catalogue and it would not be practical at present for the Group to apply for such accreditation. On the other hand, certain other members of the Geely Holding Group have already been approved as automobile manufacturers in the PRC with the relevant Automobile Products Catalogue for certain types of automobiles in the PRC, including the categories to which the CBUs belong. Given the above and in particular, the requirement of the Automobile Products Catalogue to carry out automobile manufacturing business, the Directors consider that it is in the interest and in the ordinary and usual course of business of the Group to continue engaging in the abovementioned transactions.

We understand that the Group has been procuring the Relevant Components from the relevant independent suppliers since July 2008. In view of the relationship between the Group and the relevant suppliers of the Relevant Components, the Directors consider that it is in the interest of the Group to conduct the aforesaid procurement arrangement, as this will ensure it can secure a reliable source of supply of the required automobile parts and components at a competitive price.

Each of the aforesaid transactions contemplated under the Services Agreement is for the implementation and facilitation of the automobile manufacturing operations of the Group in future; and therefore forms an integral part of the Group’s principal business. In this regard, we concur with the view of the Directors that the Services Agreement is essential to the Group’s successful manufacturing operations, and all the transactions contemplated thereunder will be imperative in ensuring the smooth business operation of the Group in the PRC automobile industry.

(d) The CBU Agreement

(i) **Purchase of CBUs by the Group from the Geely Holding Group (the “CBU Purchase Transaction”)**

As discussed in subsection (b)(ii) above, subject to the relevant regulatory requirement under the PRC laws, the Group counts on certain members of the Geely Holding Group which possess the relevant Automobile Products Catalogue to conduct the processing and final assembly of the CBUs on behalf of it. For onward sales and distribution of the CBUs to the Group’s dealers or end customers, the CBUs, after processing and final assembly by the Geely Holding Group, have to be sold back to the Group. Given the Group’s existing business model, we concur with the management of the Company that the CBU Purchase Transaction is essential for the Group to conduct its business activities in the PRC and is in the interest of the Group in this regard.

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(ii) Sales of CBUs by the Group to the Geely Holding Group (the “**CBU Sales Transaction**”)

As advised by the management of the Company, the Geely Holding Group has different distribution channels across the PRC and maintains good relationship with certain potential customers of the Group’s sedans. When the CBU Agreement becomes effective, the Group will be able to distribute its sedans to end customers which are not readily accessible by the Group and the independent dealers, which will then widen the customer base and increase the revenue base of the Group. Given the above, we concur with the Directors that the sales of CBUs to the Geely Holding Group is within the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole.

(e) *The Supplemental Parts and Components Agreement*

As advised by the Directors, the Group has been procuring certain automobile parts and components for use in its manufacturing process through certain members of the Geely Holding Group (the “**Parts Purchase Transaction**”) on a sole source basis since 2003 and the relevant members of the Geely Holding Group have maintained a long-term relationship with the relevant suppliers of the required parts and components. In view of the above, the Directors consider that it is the interest of the Group to continue the aforesaid procurement arrangement as this will secure a reliable source of supply of the required automobile parts and components at a competitive price.

As disclosed in the circular of the Company dated 31 October 2007, the annual caps in respect of the Parts Purchase Transaction contemplated under the Existing Services Agreement for the three years ending 31 December 2009 previously approved by the then Independent Shareholders amounted to approximately RMB1.63 billion, RMB2.99 billion and RMB3.67 billion respectively.

We were advised that the Group intends to gradually transfer the sourcing of automobile parts and components through the Geely Holding Group to the Group by procuring the existing suppliers to enter into new supply contracts with the Group such that two-third of automobile parts and components to be procured directly from the relevant suppliers by the Group. However, the transfer has taken longer than expected and the Directors anticipate that there will be shortfall in the expected procurement amount of automobile parts and components sourcing from the Geely Holding Group for the year ending 31 December 2009 than originally envisaged.

Given the above, we believe the adoption of the revised Cap in respect of the Parts Purchase Transaction for the year ending 31 December 2009, which reflects the expected changes in the volume of purchase of automobile parts and components from the Geely Holding Group, resulting from the aforesaid delay in transfer, is essential for the Group’s manufacturing process of sedans and business development for the relevant financial year.

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Each of the aforementioned Non-exempted Agreements is entered into for the implementation and facilitation of the continuing manufacturing operations and business expansion of the Group, and each of the Non-exempted Continuing Connected Transactions is in line with the Group's principal business activities as discussed in subsection (a) above.

Given the above and in particular the business nature and objectives of the Group as described under subsection (a) above, it is reasonable to expect that each of the Non-exempted Continuing Connected Transactions will continue to take place on a regular and frequent basis in the Group's ordinary and usual course of business in future. As such, it would be beneficial to the Group to have the Non-exempted Agreements in place and to adopt the Caps, as that would help facilitate the smooth operation and future development of the Group's business for the three financial years ending 31 December 2011. In light of the foregoing, we consider that the entering into of the Non-exempted Agreements together with the adoption of the Caps are conducted in the ordinary and usual course of the Group's business and are in the interests of both the Company and the Shareholders as a whole.

2. Principal terms of the Non-exempted Agreements

Set out below are the principal terms of the Non-exempted Agreements and the nature of the subject transactions related thereto:

(a) *The R&D Agreement*

Nature of the transactions

The Geely Holding Group has agreed to provide certain R&D services to the Group (the "**R&D Transaction I**") whilst the Group also agreed to provide certain R&D services to the Geely Holding Group (the "**R&D Transaction II**"), in accordance with the requirements and design specifications for the R&D Projects set out in the R&D Agreement for a term from the effective date of the R&D Agreement to 31 December 2011.

Pricing basis

It is noted that the R&D service fees receivable from and payable to the Geely Holding Group shall be determined based on the respective cost of research and development, including the cost of materials, experiment, development, examination, research, depreciation of relevant equipment, staff and overhead, administration, finance and tax. The Directors confirmed that the consideration payable by the Group to the Geely Holding Group and vice versa aims at reimbursing the actual costs to be incurred by the relevant party in the R&D process for any particular R&D Projects and therefore no profit will be generated by both the Group and the Geely Holding Group as a result of the provision of R&D services.

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Having considered the scope and objectives of the R&D Projects specified in the R&D Agreement as discussed in section (1)(b) above and that the essence of the implementation of such R&D Projects is to enhance the competitive advantage of the Group in the PRC automobile market, we consider that the aforesaid pricing bases are fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

(b) *The Services Agreement*

(i) Processed Parts Purchase Transaction

Nature of the transactions

The Group has agreed to purchase from the Geely Holding Group the processed automobile parts and components. The Directors confirmed that all the processed automobile parts and components will be solely used for the manufacturing of the sedans by the Group. In addition, the Group may request additional services other than the aforesaid services from the Geely Holding Group (subject to the Geely Holding Group's ability in providing the relevant additional services) that might occur in the manufacturing process of the sedans for new models in the future. We have discussed with the Directors regarding the nature of the possible additional services and are advised that such additional services will likely relate to the modifications of the processed automobile parts and components by the Geely Holding Group to accommodate new sedan models. The Directors confirmed that the pricing term relating to any aforesaid additional services will be based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and in compliance with the requirements stipulated under the Listing Rule regarding "connected transactions".

Pricing basis

The selling price of the processed automobile parts and components shall be determined based on market price which is no less favourable to the Group than to other independent third parties. If no such market price is available, the selling price shall be determined by arm's length negotiations between the Group and the Geely Holding Group based on normal commercial terms. Given that the selling price will be determined with reference to the prevailing market conditions, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

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(ii) Components Sales Transaction

Nature of the transactions

The Group has agreed to supply to the Geely Holding Group the Relevant Components. In addition, the Geely Holding Group may request additional services other than the aforesaid services from the Group (subject to the Group's ability in providing the relevant additional services) that might occur in the manufacturing process of the CBUs for new models in the future. We have discussed with the management of the Company regarding the nature of the possible additional services and are advised that such additional services will likely relate to the modifications of the automobile parts and components by the Group to accommodate new sedan models. The Directors confirmed that the pricing term relating to any aforesaid additional services will be based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and in compliance with the requirements stipulated under the Listing Rule regarding "connected transactions".

Pricing basis

The selling price of the automobile parts and components to be supplied by the Group to the Geely Holding Group shall be determined based on sourcing cost plus the relevant service cost; while the selling price of the pressing parts, engines and transmissions shall be determined based on the sourcing cost plus the relevant processing cost, transportation cost and taxes. The Directors confirmed that such pricing basis for the aforesaid components is on normal commercial terms given the fact that all the automobile parts and components, pressing parts, engines and transmissions will be solely used for the processing and final assembly of the CBUs by the Geely Holding Group on behalf of the Group, which in turn will be sold back to the Group for onward sales and distribution to independent dealers or end users at cost plus taxes pursuant to the CBU Agreement. We were further advised that no profit would be generated by the Geely Holding Group during the course of manufacture of the CBUs and the profits arisen from the sales and distribution of sedans will all be captured by the Group. Given this and particularly after taking into account the overall manufacturing operations of the Group and the supporting role of the Geely Holding Group relating thereto, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

The selling price of brakes shall be based on market price which is no less favourable to the Group than to other independent third parties. If no such market price is available, the selling price shall be determined by arm's length negotiations between the Group and the Geely Holding Group based on normal commercial terms. The Directors confirmed that except for selling to the Geely Holding Group

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solely for its processing and final assembly of the CBUs on behalf of the Group, the Group will also continue to sell its brakes to independent third parties. Given that the selling price will be determined with reference to the prevailing market conditions, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

(c) *The CBU Agreement*

(i) CBU Purchase Transaction

Nature of the transaction

The Group has agreed to purchase the CBUs processed by the Geely Holding Group in accordance with the terms set out in the CBU Agreement for a term commencing from the effective date of the CBU Agreement and expiring on 31 December 2011.

Pricing basis

It is noted that the purchase prices of the CBUs shall be at cost plus tax. The Directors confirmed that the consideration payable by the Group to the Geely Holding Group is only to reimburse the actual costs (including the purchase cost of the automobile parts and components and the related labour, administrative and manufacturing costs) and taxes to be incurred in the processing and final assembly of the CBUs by the Geely Holding Group, and therefore no profit would be generated by the Geely Holding Group as a result of its sales of the CBUs to the Group. We were advised that the pricing basis has been determined after arm's length negotiations between the Company and Geely Holding after taking into account the supporting role of the Geely Holding Group in assisting the Group in implementation of its principal activities in the PRC. Having considered the above, we are of the view that the pricing basis is fair and reasonable, on better than normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(ii) CBU Sales Transaction

Nature of the transaction

The Group agreed to sell the CBUs to the Geely Holding Group in accordance with the terms set out in the CBU Agreement for a term commencing from the effective date of the CBU Agreement and expiring on 31 December 2011.

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Pricing basis

It is noted that the selling prices of the CBUs shall be based on market price which is no less favourable to the Group than to other independent third parties. As advised by the Directors, the Group generally sells and distributes sedans through independent dealers or its own distribution channels to the end users. Considering that the selling price will be determined with reference to the prevailing market conditions, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

(d) *The Supplemental Parts and Components Agreement*

Nature of the transaction

The Geely Holding Group agreed to sell the automobile parts and components to the Group in accordance with the product specifications set out in the Existing Services Agreement (as supplemented by the Supplemental Parts and Components Agreement) expiring on 31 December 2009.

We have obtained and reviewed the Existing Services Agreement and the Supplemental Parts and Components Agreement and noted that, save for the increase in the annual cap for the year ending 31 December 2009 and the update of the conditions precedent to include the Independent Shareholders' approval requirement for the Supplemental Parts and Components Agreement, all other terms (including the pricing basis) of the Existing Services Agreement remained unchanged.

Pricing basis

It is noted that the selling prices of the automobile parts and components under the Parts Purchase Transaction shall remain the same as set out in the Existing Services Agreement, which is based on the sourcing costs plus the relevant service costs. The Directors confirmed that the consideration payable by the Group to the Geely Holding Group is only to reimburse the actual costs (including the purchase cost of the automobile parts and components and the related labour, administrative and transportation costs) to be incurred in the procurement process by the Geely Holding Group, and therefore no profit would be generated by the Geely Holding Group as a result of its sales of automobile parts and components to the Group. We were advised that the pricing basis has been determined after arm's length negotiations between the Company and Geely Holding and on better than normal commercial terms taking into account the supporting role of the Geely Holding Group in assisting the Group in implementation of its principal activities in the PRC. In light of the foregoing, we are of the view that the basis for pricing determination is fair and reasonable, on better than normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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(e) *Conclusion*

Considering the above, we are of the opinion that the respective terms and conditions of the Non-exempted Agreements are fair and reasonable, on or at better than normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

3. Requirements of the Listing Rules

For each financial year of the Company during the terms of the Non-exempted Agreements, the subject transactions will be subject to review by the independent non-executive Directors and the Company's auditors as required by the provisions of Rules 14A.37 and 14A.38 of the Listing Rules respectively. The independent non-executive Directors must confirm in the annual report and accounts that the Non-exempted Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, no terms on less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company's auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company), confirming that the Non-exempted Continuing Connected Transactions:

- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the relevant agreement governing the transactions; and
- have not exceeded the cap disclosed in its previous announcement.

It was stated in the 2008 Annual Report that, the Parts Purchase Transaction, as part of the transactions contemplated under the Existing Services Agreement, has been reviewed by the independent non-executive Directors and they confirmed that the Parts Purchase Transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) the actual transacted

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amounts had been determined to be RMB5,975 million for purchases of CBUs, the automobile parts and components and provision of process manufacturing services as a whole which did not exceed the respective annual cap of RMB13,811 million for the year ended 31 December 2008 as approved by the Stock Exchange and the then Independent Shareholders.

Besides, based on the work performed, the auditors of the Company have confirmed that the Parts Purchase Transaction (a) has been approved by the board of Directors; (b) has been entered into in accordance with the terms of the relevant agreement governing the transaction; and (c) the actual transacted amount had been determined to be RMB5,975 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services as a whole which did not exceed the respective annual cap of RMB13,811 million for the year ended 31 December 2008 as approved by the Stock Exchange and the then Independent Shareholders.

Given the above, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the Non-exempted Continuing Connected Transactions will be conducted on terms that are fair and reasonable.

4. The Caps

Set out below are the proposed Caps for the three financial years ending 31 December 2011:

Table One

	Proposed Caps for the		
	financial year ending 31 December		
	2009	2010	2011
	('000)	('000)	('000)
(I) R&D Agreement			
– R&D Transaction I	RMB147,907 (equivalent to approximately HK\$168,082)	RMB64,589 (equivalent to approximately HK\$73,399)	RMB– (equivalent to approximately HK\$–)
– R&D Transaction II	RMB66,950 (equivalent to approximately HK\$76,082)	RMB266,955 (equivalent to approximately HK\$303,368)	RMB117,801 (equivalent to approximately HK\$133,869)
Total	<u>RMB214,857</u> (equivalent to approximately <u>HK\$244,164</u>)	<u>RMB331,544</u> (equivalent to approximately <u>HK\$376,767</u>)	<u>RMB117,801</u> (equivalent to approximately <u>HK\$133,869</u>)

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	Proposed Caps for the		
	financial year ending 31 December		
	2009	2010	2011
	('000)	('000)	('000)
(II) Services Agreement			
– Components Sales Transaction	RMB192,587 (equivalent to approximately HK\$218,856)	RMB690,399 (equivalent to approximately HK\$784,569)	RMB1,035,599 (equivalent to approximately HK\$1,176,855)
– Processed Parts Purchase Transaction	RMB30,768 (equivalent to approximately HK\$34,965)	RMB205,296 (equivalent to approximately HK\$233,298)	RMB359,153 (equivalent to approximately HK\$408,141)
Total	<u>RMB223,355</u> (equivalent to approximately <u>HK\$253,821</u>)	<u>RMB895,695</u> (equivalent to approximately <u>HK\$1,017,867</u>)	<u>RMB1,394,752</u> (equivalent to approximately <u>HK\$1,584,996</u>)
(III) CBU Agreement			
– CBU Sales Transaction	RMB45,000 (equivalent to approximately HK\$51,138)	RMB180,000 (equivalent to approximately HK\$204,552)	RMB264,000 (equivalent to approximately HK\$300,010)
– CBU Purchase Transaction	RMB336,394 (equivalent to approximately HK\$382,278)	RMB1,205,816 (equivalent to approximately HK\$1,370,289)	RMB1,808,724 (equivalent to approximately HK\$2,055,434)
Total	<u>RMB381,394</u> (equivalent to approximately <u>HK\$433,416</u>)	<u>RMB1,385,816</u> (equivalent to approximately <u>HK\$1,574,841</u>)	<u>RMB2,072,724</u> (equivalent to approximately <u>HK\$2,355,444</u>)
(IV) Supplemental Parts and Components Agreement			
– Parts Purchase Transaction	RMB7,737,614 (equivalent to approximately HK\$8,793,025)	N/A	N/A

Note: As advised by the Company, the effective date of the respective Non-exempted Agreements are assumed to be 1 August 2009 and therefore the respective Caps have been set on a pro rata basis and represents the estimated transaction amount for the five months ending 31 December 2009.

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(a) *The R&D Agreement*

We were advised that the Group has never provided any similar R&D services to the Geely Holding Group, and vice versa, under similar terms as set out in the R&D Agreement before. As illustrated in Table One above, it is noted that the Caps in respect of the R&D Transaction I decreases from approximately RMB148 million for year 2009 to nil for year 2011; while the Caps in respect of the R&D Transaction II starts low with approximately RMB67 million for year 2009, then increases to approximately RMB267 million for year 2010 and reduces to approximately RMB118 million for year 2011. In this regard, we have discussed with the management of the Company the underlying reasons for such variation, and noted that the Directors have principally taken into account (i) the expansion strategies and technological level of the Group; (ii) the R&D Project plans of the Group and the Geely Holding Group; (iii) the incomplete sedan-related R&D projects currently conducting by the Geely Holding Group; (iv) the estimated schedule of R&D Projects conducted or proposed to be conducted until 31 December 2011; and (v) the estimated R&D costs to be incurred for each of the R&D Projects until 31 December 2011.

In our assessment of the reasonableness and fairness of the respective Caps for the R&D Transaction I and the R&D Transaction II, we have reviewed, among other things, (i) the R&D Project plans of the Group and the Geely Holding Group; (ii) the projected budget of each of the relevant R&D Projects to be conducted until 31 December 2011; and (iii) the recent budgeted and actual R&D costs incurred by the Group and the Geely Holding Group for their respective completed R&D projects. We concur with the Directors' view that it will be reasonable and in the interests of both the Company and the Shareholders to set the aforementioned Caps at the proposed levels, after taking into consideration the following:

- that the relevant R&D Projects of the Geely Holding Group are mainly focused on improvements on existing sedan models of the Group, which, in the opinion of the Directors, will be able to improve the performance of and customer satisfaction with the Group's products and thus generate economical benefits to the Group in the long run;
- that the R&D Projects to be conducted by the Group are mainly focused on development of new sedan models, including, but not limited to, fuel-efficient and environmental friendly sedans, which, as advised by the Directors, are believed to be the major revenue generator of the Group's growth momentum in the coming few years;
- that according to the project plans of the Geely Holding Group, most of the relevant R&D Projects, which focus on improvements on existing sedan models, are expected to be completed by 2009 and the remaining will commence in second half of 2009 and be completed by 2010, thus no Cap is proposed for the year ending 31 December 2011;

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- that according to the project plans of the Group, most of the relevant R&D Projects, which focus on development of new sedan models to be launched after year 2010, are scheduled to be commenced in second half of 2009 and completed in 2010 and the remaining will commence in 2010 and be completed by 2011;
- the adoption of an estimated average tax rate of 3% for the provision of R&D services, which is comparable to the existing consumption tax rates on sales of sedans in the PRC of 3% or 5% (subject to the engine size of the relevant sedan models); and
- that, as advised by the Directors, the projected budgets of the R&D Projects were prepared by the industry expertises of the Group and the Geely Holding Group based on their technical knowledge and experience and are considered to be reasonable after considering (i) the proper approval procedures adopted by the Group and the Geely Holding Group; and (ii) the recent actual to budget R&D costs ratio of the Group remained high ranging from about 80% to 95%.

Based on the factors and reasons discussed above, we are of the view that the Caps for the R&D Transaction I and the R&D Transaction II were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

(b) The Services Agreement

(i) Processed Parts Purchase Transaction

We were advised that the Group has never purchased any similar processed automobile parts and components from the Geely Holding Group under similar terms as set out in the Services Agreement before. As illustrated in Table One above, it is noted that a substantial growth in the Caps is generally expected for the period from the effective date of the Services Agreement to 31 December 2011. In this regard, we have discussed with the management of the Company on the underlying reasons for such increase and noted that the Directors have principally taken into account (i) the expected growth in demand for the Group's sedan models from the effective date of the Services Agreement to 31 December 2011; (ii) the current market condition of the automobile industry and the expected economic development of the PRC; (iii) the production capacity of the Geely Holding Group for processed automobile parts and components; and (iv) the prevailing market price of similar processed automobile parts and components.

In our assessment of the reasonableness and fairness of the respective Caps, we have reviewed, among other things, (i) the sales target of the sedans and the estimated quantity of sedans with processed automobile parts and components installed from the effective date of the Services Agreement to 31 December 2011 compiled by the Group and the underlying bases and assumptions related thereto as detailed above; (ii) the production capacity of the Geely Holding Group for processed automobile parts and components;

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and (iii) the independent market quotations for similar processed automobile parts and components. We concur with the Directors' view that it will be reasonable and in the interests of both the Company and the Shareholders to set the aforementioned Caps at the proposed levels, after taking into consideration the following:

- that the Group tends to increase production during the second half of the year given that the peak season generally falls within the fourth quarter of any particular year;
- the increase in the production of the processed automobile parts and components for the Group's sedans in view of (i) that the Geely Holding Group has only commenced the production of processed automobile parts and components in the second half of 2009 and is in the start-up stage; (ii) that the processed automobile parts and components are patented and are compatible to all sedan models of the Group; (iii) the new sedan models expected to be launched in 2010 and 2011; (iv) the Group's intention to install the processed automobile parts and components to its sedans progressively; and (v) that according to China Association of Automobile Manufacturers (中國汽車工業協會), an automobile organisation approved by the PRC government, the total sales and production volume of sedans in the PRC reached about 6.0 million units and 6.1 million units in the first half of 2009, representing an increase of about 15.2% and 17.7% compared to the corresponding period in 2008 respectively;
- the current production capacity of the Geely Holding Group for processed automobile parts and components of 360,000 units;
- that the estimated selling prices of the processed automobile parts and components to be procured by the Group are in line with the prevailing market prices of similar existing processed parts and components; and
- that the selling prices of the processed automobile parts and components are estimated to remain at about similar level as 2009 for the two years ending 31 December 2011 considering the recent reduction in consumption price index of the PRC for the seven months ended 31 July 2009 by about 1.2% as compared to corresponding period in 2008.

(ii) Components Sales Transaction

We were advised that the Group has never sold any similar Relevant Components to relevant member of the Geely Holding Group under similar terms as set out in the Services Agreement before. It is noted that a substantial growth in the relevant Caps is generally expected for the period from the effective date of the Services Agreement to 31 December 2011. In this regard, we have discussed with the Company's management on the underlying reasons and noted that the Directors have principally taken into account

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(i) the expected growth in demand for the Group's sedans for the three years ending 31 December 2011; (ii) the current market condition of the automobile industry and the expected economic development of the PRC; (iii) the production capacity of relevant member of the Geely Holding Group; (iv) the historical production volume of relevant member of the Geely Holding Group; (v) the recent actual cost of sourcing automobile parts and components and pressing parts, engines and transmissions by the Group; and (vi) the prevailing market price of brakes.

In our assessment of the reasonableness and fairness of the respective Caps, we have reviewed, among other things, (i) the relevant production target for the three years ending 31 December 2011 compiled by relevant member of the Geely Holding Group and the underlying bases and assumptions related thereto as detailed above; (ii) the relevant historical production volume of relevant member of the Geely Holding Group; (iii) the recent total actual cost of sourcing automobile parts and components and pressing parts, engines and transmissions by the Group; and (iv) the independent market quotations for selling price of brakes. We concur with the Directors' view that it will be reasonable and in the interests of both the Company and the Shareholders to set the aforementioned Caps at the proposed levels, after taking into consideration the following:

- that the Group tends to increase production during the second half of the year given that the peak season generally falls within the fourth quarter of any particular year;
- the increase in sales of the Relevant Components to the Geely Holding Group in view of (i) the ratio of expected production volume increment of the Relevant Components by the Geely Holding Group for the three years ending 31 December 2011 to total production volume of the Group for the year ended 31 December 2008 of 204,205 units is only 5.2%, 9.8% and 9.8% respectively; (ii) the new sedan models to be launched in 2010 and 2011; (iii) that the production volume of the sedans by relevant member of the Geely Holding Group for the first half of year 2009 has already achieved about 85% to its total production volume for the whole year 2008; and (iv) the statistics relating to the total sales and production volume of sedans in the PRC for the seven months of both 2008 and 2009 in accordance with China Association of Automobile Manufacturers as discussed in subsection (b)(i) above;
- the relevant current production capacity of relevant member of the Geely Holding Group of 60,000 units;
- that the estimated selling prices of the automobile parts and components, pressing parts, engines and transmissions to be sold by the Group for each of the three years ending 31 December 2011 are in line with the actual cost incurred in the procurement process by the Group;

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- that the estimated selling prices of the brakes to be sold by the Group for each of the three years ending 31 December 2011 are in line with the prevailing market prices of similar products in the PRC; and
- that the selling prices of the Relevant Components are estimated to remain at about the similar level as 2009 considering the recent reduction in consumption price index of the PRC for the seven months ended 31 July 2009 by about 1.2% as compared to corresponding period in 2008.

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

(c) *The CBU Agreement*

(i) CBU Sales Transaction

We were advised that the Group did not sell any CBUs to relevant member of the Geely Holding Group under similar terms as set out in the CBU Agreement before. It is noted that a substantial growth in the Caps is generally expected for the period from the effective date of the CBU Agreement to 31 December 2011. In this regard, we have discussed with the management of the Company on the underlying reasons and noted that the Directors have principally taken into account (i) the expected growth in demand of the Group's sedan through the distribution channels established by the Geely Holding Group from the effective date of the CBU Agreement to 31 December 2011; (ii) the current market condition of the automobile industry and the expected economic development of the PRC; (iii) the prevailing market price of similar existing sedan models sold by the Group to independent third parties; and (iv) the expected selling price of new sedan models to be launched in 2010 and 2011.

In our assessment of the reasonableness and fairness of the respective Caps from the effective date of the CBU Agreement to 31 December 2011, we have reviewed, among other things, (i) the sales target of the Group's sedans through the distribution channels established by the Geely Holding Group from the effective date of the CBU Agreement to 31 December 2011 and the underlying bases and assumptions related thereto as detailed above; and (ii) the recent market prices of existing sedan models to be sold by the Group to independent third parties. We concur with the Directors' view that it will be reasonable and in the interests of both the Company and the Shareholders to set the aforementioned Caps at the proposed levels, after taking into consideration the following:

- that the Group tends to increase sales during the second half of the year given that the peak season generally falls within the fourth quarter of any particular year;

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- the expected increase in sales of CBUs through the distribution channels established by the Geely Holding Group in view of (i) that upon review of the automobile suppliers' list of the PRC government for financial year 2009-2010, two of the sedan models of the Group are shortlisted as key automobile suppliers of the PRC government and the management of the Company believes that the PRC government, being one of the target customers of the Geely Holding Group are intended to increase procurement after 2009; (ii) the expected launch of new sedan models particularly in 2010 and 2011; and (iii) the statistics relating to the total sales and production volume of sedans in the PRC for the seven months of both 2008 and 2009 in accordance with China Association of Automobile Manufacturers as discussed in subsection (b)(i) above; and
- that the estimated average selling prices of the sedan models to be sold by the Group to the Geely Holding Group from the effective date of the CBU Agreement to 31 December 2011 are in line with the prevailing market prices of existing similar sedan models to be sold by the Group to independent third parties of ranging from around RMB40,000 to RMB60,000.

(ii) CBU Purchase Transaction

We were advised that the Group did not purchase any CBUs from relevant member of the Geely Holding Group under similar terms as set out in the CBU Agreement before. It is noted that a substantial growth in the Caps is generally expected for the period from the effective date of the CBU Agreement to 31 December 2011. In this regard, we have discussed with the management of the Company on the underlying reasons and noted that the Directors have principally taken into account (i) the expected growth in demand for the Group's sedans from the effective date of the CBU Agreement to 31 December 2011; (ii) the current market condition of the automobile industry and the expected economic development of the PRC; (iii) the production capacity of relevant member of the Geely Holding Group; (iv) the historical growth rate of production of relevant member of the Geely Holding Group; and (v) the estimated average cost incurred by relevant member of the Geely Holding Group for the processing and final assembly of CBUs on behalf of the Group.

In our assessment of the reasonableness and fairness of the respective Caps from the effective date of the CBU Agreement to 31 December 2011, we have reviewed, among other things, (i) the production target from the effective date of the CBU Agreement to 31 December 2011 compiled by relevant member of the Geely Holding Group and the underlying bases and assumptions related thereto as detailed above; (ii) the relevant historical production volume of relevant member of the Geely Holding Group; and (iii) the recent average cost of production of the CBUs incurred by the Geely Holding Group. We concur with the Directors' view that it will be reasonable and in the interests of both

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the Company and the Shareholders to set the aforementioned Caps at the proposed levels, after taking into consideration the following:

- that the Group tends to increase production during the second half of the year given that the peak season generally falls within the fourth quarter of any particular year;
- the estimated increase in procurement of CBUs by the Group in view of (i) the ratio of the estimated growth in procurement volume by the Group for the three years ending 31 December 2011 to total production volume of the Group for the year ended 31 December 2008 of 204,205 units is only 5.2%, 9.8% and 9.8% respectively; (ii) the expected launch of new sedan models particularly in 2010 and 2011; (iii) the production volume of relevant member of the Geely Holding Group for the first half of year 2009 has achieved more than 85% of its total production volume for the whole year 2008; and (iv) the statistics relating to the total sales and production volume of sedans in the PRC for the seven months of both 2008 and 2009 in accordance with China Association of Automobile Manufacturers as discussed in subsection (b)(i) above, which is in line with the expected increase in sales of the Relevant Components under the Services Agreement as discussed in subsection (b)(i) above;
- the current production capacity of relevant member of the Geely Holding Group of 60,000 units; and
- that the relevant estimated average cost of material to total cost of production ratios (i.e. average cost of parts and components per unit of CBU over the average cost of production per unit of CBU) of the Geely Holding Group from the effective date of the CBU Agreement to 31 December 2011 are comparable to that for the preceding three years.

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

(d) The Supplemental Parts and Components Agreement

As disclosed in the “Letter from the Board” in the Circular, the Directors propose to increase the annual cap in respect of the Parts Purchase Transaction for the year ending 31 December 2009 from RMB3,673,960,000 to RMB7,737,614,000, whilst the cap amounts for the two years ended 31 December 2011 will be dealt with other continuing connected transactions relating to sales and purchases of sedan and sedan-related parts and components between the same contracting parties to the Existing Services Agreement (as announced by the Company on 17 September 2007) around the end of year 2009. We have discussed with the management of the Company on the underlying reasons for the aforesaid proposed increase and noted that

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the Directors have principally taken into account (i) the expected growth in demand for the Group's sedans for the year ending 31 December 2009; (ii) the current market condition of the automobile industry and the expected economic development of the PRC; (iii) the historical transacted amounts for the two years ended 31 December 2008 and the six months ended 30 June 2009; (iv) the estimated automobile parts and components to be sourced by the Geely Holding Group on behalf of the Group until 31 December 2009; and (v) the estimated sourcing cost and relevant service costs to be incurred by the Geely Holding Group.

In our assessment of the reasonableness and fairness of the respective revised annual cap for the year ending 31 December 2009, we have reviewed, among other things, (i) the production target for the year ending 31 December 2009 compiled by the Group and the underlying bases and assumptions related thereto as detailed above; (ii) the historical transacted amount of the Group for the two years ended 31 December 2008 and the six months ended 30 June 2009; and (iii) the recent sourcing cost plus relevant service costs of the relevant automobile parts and components procured by the Geely Holding Group. We concur with the Directors' view that it will be reasonable and in the interests of both the Company and the Shareholders to set the aforementioned revised Cap at the proposed levels, after taking into consideration the following:

- that the Group tends to increase production during the second half of the year given that the peak season generally falls within the fourth quarter of any particular year;
- the expected increase in procurement for the relevant automobile parts and components in view of (i) that the historical growth rate of procurement of automobile parts and components from the Geely Holding Group remained over 20% for the two years ended 31 December 2008; (ii) that due to the delay in plan to merge the procurement functions between the Group and the Geely Holding Group, all relevant automobile parts and components required by the Group in the manufacturing of sedans have to be continuously procured from the Geely Holding Group as contrary to the original plan of only one-third to be procured from the Geely Holding Group; (iii) the increase in production target of the Group for the second half of year 2009; and (iv) the statistics relating to the total sales and production volume of sedans in the PRC for the seven months of both 2008 and 2009 in accordance with China Association of Automobile Manufacturers as discussed in subsection (b)(i) above;
- the current production capacity of the Group of 410,000 units;
- the pricing basis as provided under the Existing Services Agreement whereby the selling prices of the automobiles parts and components shall be determined based on the sourcing costs plus the relevant service costs; and
- that the relevant estimated average sourcing costs plus service costs of automobile parts and components are comparable to the recent actual average sourcing costs plus service costs of automobile parts and components purchased from the Geely Holding Group.

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Based on the factors and reasons discussed above, we are of the view that the revised annual cap in respect of the Parts Purchase Transaction for the year ending 31 December 2009 were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

RECOMMENDATION

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

- the nature of the Non-exempted Continuing Connected Transactions;
- that each of the aforementioned Non-exempted Agreements is entered into for the implementation and facilitation of the continuing manufacturing operations and business expansion of the Group, and each of the Non-exempted Continuing Connected Transactions is in line with the Group's principal business activities as discussed in section (1)(a) above;
- that the respective pricing basis as provided under the R&D Agreement, the Services Agreement and the CBU Agreement is fair and reasonable;
- the control and review procedures and arrangements in place to safeguard the interests of the Company and the Shareholders in relation to the Non-exempted Continuing Connected Transactions; and
- that the Caps have been set by the Directors, after careful and due considerations, at a level which will be in the interests of both the Company and the Shareholders, in view of the factors as discussed in details in section (4) above,

we consider that the Non-exempted Agreements have been entered into within the usual and ordinary course of the Group's business based on normal commercial terms and their respective terms and conditions together with the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions and the adoption of the Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions

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

(i) Interests and short positions in the securities of the Company

Name of Director	Capacity	Number of Shares in the Company		Shareholding percentage (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (Note 1)	Interest of controlled corporations	3,751,159,000	–	51.54%
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	–	0.03%
Share options				
Mr. Ang Siu Lun, Lawrence	Personal	6,000,000 (Note 2)	–	0.08%
Mr. Gui Sheng Yue	Personal	8,000,000 (Note 2)	–	0.11%

Name of Director	Capacity	Number of Shares in the Company		Shareholding percentage (%)
		Long position	Short position	
Mr. Yang Jian	Personal	8,000,000 (Note 2)	–	0.08%
Mr. Liu Jin Liang	Personal	6,000,000 (Note 2)	–	0.08%
Mr. Zhao Jie	Personal	6,000,000 (Note 2)	–	0.08%
Mr. Yin Da Qing, Richard	Personal	7,000,000 (Note 2)	–	0.10%
Dr. Zhao Fuquan	Personal	23,000,000 (Note 2)	–	0.32%
Mr. Song Lin	Personal	2,500,000 (Note 2)	–	0.03%
Mr. Yeung Sau Hung, Alex	Personal	1,500,000 (Note 2)	–	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,500,000 (Note 2)	–	0.02%

Notes:

1. Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 51.54% of the issued share capital of the Company. Proper Glory is a company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. This share option interest is also referred to in the section headed “Share Options” below. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		
		Long position	Short position	Shareholding percentage (%)
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100%
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Merrie 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 Geely Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)

Notes:

1. Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 51.54% of the issued share capital of the Company. Proper Glory is a company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. Zhejiang Geely Holding Group Company Limited (“Geely Holding”) is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

3. Zhejiang Geely Merrie Automobile Company Limited is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
4. Shanghai Maple Automobile Company Limited is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability 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 is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
6. Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Geely Merrie Automobile Company Limited. Zhejiang Geely Merrie Automobile Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
7. Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 9%-owned by Shanghai Maple Automobile Company Limited. Shanghai Maple Automobile Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
8. Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
10. Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Interests and short positions in shares and underlying shares of others 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 executive of the Company, the persons, other than Directors or the chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

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

Name	Capacity	Number of shares held		Shareholding percentage (%)
		Long position	Short position	
Proper Glory <i>(Note 1)</i>	Beneficial owner	2,462,400,000	–	33.83
Geely Holding <i>(Note 1)</i>	Beneficial owner	3,751,072,000	–	51.54
Zhejiang Geely Merrie <i>(Note 2)</i>	Interest in controlled corporation	776,408,000	–	10.67
Geely Group Ltd. <i>(Note 1)</i>	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,462,400,000	–	33.83
TOSCA	Beneficial owner	77,961,371	–	1.07
TOSCAFUND Asset Management LLP	Interest in controlled corporation	247,961,371	–	3.41
TOSCA Asia	Beneficial owner	321,805,000	–	4.42
TOSCAFUND Global Limited	Interest in controlled corporation	321,805,000	–	4.42
FMR LLC	Beneficial owner	447,620,000	–	6.15

Notes:

1. Proper Glory Holding Inc. (“Proper Glory”) is a 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 limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.
2. Zhejiang Geely Merrie is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. COMPETING INTEREST

Zhejiang Geely Holding Group Company Limited, which is ultimately owned by Mr. Li Shu Fu (“Mr. Li”), the Company’s Chairman, and his associates, 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 Zhejiang Geely Holding Group Company Limited will constitute competing businesses (the “Competing Businesses”) to those currently engaged by the Group’s subsidiaries. Mr. Li has undertaken to the Company (the “Undertaking”) 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.

Save for disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. INTERESTS IN ASSETS AND/OR CONTRACTS

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 2008, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

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

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited accounts of the Company were made up.

7. EXPERT'S QUALIFICATION AND CONSENT

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

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

As at the Latest Practicable Date, Quam Capital:

- (a) did not have any shareholding in any member of the Group or the 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 asset which had been acquired, 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 2008, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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 23 September 2009:

- (a) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 17 of this circular;
- (b) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 40 of this circular;
- (c) the written consent from Quam Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (d) the R&D Agreement, the Services Agreement, the CBU Agreement, the Supplemental Parts and Components Agreement and the Existing Services Agreement.

NOTICE OF EGM



吉利汽車控股有限公司 GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of Geely Automobile Holdings Limited (the “Company”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 23 September 2009 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

1. **“THAT**

- (a) the conditional agreement dated 20 August 2009 (the “**R&D Agreement**”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company and its subsidiaries (the “Group”) and the Geely Holding Group engage each other to conduct research and development services (the “**R&D Services**”) (as defined in the circular of the Company dated 8 September 2009 (the “**Circular**”)), be and is hereby approved, ratified and confirmed;
- (b) the cap amounts in respect of the R&D Services as set out in the circular of the Company dated 8 September 2009 for each of the three financial years ending 31 December 2011 be and are hereby confirmed and approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the R&D Agreement.”

2. **“THAT**

- (a) the conditional agreement dated 20 August 2009 (the “**Services Agreement**”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**B**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group and the Geely Holding Group engage each other for the sale and purchase of automobile parts and components, process such parts and components if applicable (the “**Automobile Parts & Components Services**”), be and is hereby approved, ratified and confirmed;

NOTICE OF EGM

- (b) the cap amounts in respect of the Automobile Parts & Components Services under the Services Agreement as set out in the circular of the Company dated 8 September 2009 for each of the three financial years ending 31 December 2011 be and are hereby confirmed and approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Services Agreement.”

3. **“THAT**

- (a) the conditional agreement dated 20 August 2009 (the **“CBU Agreement”**) entered into between the Company and Zhejiang Geely Holding Group Company Limited (**“Geely Holding”**, together with its subsidiaries, the **“Geely Holding Group”**), a copy of which is tabled at the meeting and marked **“C”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group and the Geely Holding Group engage each other for the sale and purchase of the CBUs (the **“CBUs Services”**), be and is hereby approved, ratified and confirmed;
- (b) the cap amounts in respect of the CBUs Services under the CBU Agreement as set out in the circular of the Company dated 8 September 2009 for each of the three financial years ending 31 December 2011 be and are hereby confirmed and approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the CBU Agreement.”

4. **“THAT**

- (a) the conditional agreement dated 20 August 2009 (the **“Supplemental Parts & Components Agreement”**) entered into between the Company and Zhejiang Geely Holding Group Company Limited (**“Geely Holding”**, together with its subsidiaries, the **“Geely Holding Group”**), a copy of which is tabled at the meeting and marked **“D”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group and the Geely Holding Group agrees to increase the annual cap for the purchase of automobile parts and components for the year ending 31 December 2009 from RMB3,673,960,000 (equivalent to approximately HK\$4,175,088,000) to RMB7,737,614,000 (equivalent to approximately HK\$8,793,025,000), be and is hereby approved, ratified and confirmed; and

NOTICE OF EGM

- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Supplemental Parts & Components Agreement.”

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

Hong Kong, 8 September 2009

Head office and principal place of business in Hong Kong:
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be delivered to the office of the branch share registrars of the Company, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.