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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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GEELY
吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 175)

**DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to Geely Automobile Holdings 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 page 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 Non-exempted Continuing Connected Transactions (including the relevant annual caps) is set out on pages 18 to 30 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 24 December 2012 at 10:00 a.m. is set out on pages 41 to 42 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.

6 December 2012

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from Independent Board Committee	17
Letter from Quam Capital	18
Appendix – General Information	31
Notice of the EGM	41

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 of the Company
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CKD(s)”	Complete Knock Down Kit(s) or CKD(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps)
“Existing Loan Guarantee Agreement”	the agreement dated 27 November 2009 entered into between the Company and Geely Holding pursuant to which the Group agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group, details of which are contained in the Company’s announcement dated 27 November 2009 and the Company’s circular dated 14 December 2009
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“Guarantees”	guarantees to be provided by the Group on loans obtained or to be obtained by the Geely Holding Group pursuant to the Loan Guarantee Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors, namely Mr. Song Lin, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang established for the purpose of advising the Independent Shareholders on the Non-exempted Continuing Connected Transactions (including the relevant annual caps)
“Independent Shareholders”	Shareholder(s) other than Mr. Li and his associates
“Latest Practicable Date”	4 December 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Guarantee Agreement”	the agreement dated 16 November 2012 entered into between the Company and Geely Holding as referred to under the subsection headed “(II) Loan Guarantee Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding 45.43% interest in the issued share capital of the Company as at the Latest Practicable Date
“Non-exempted Agreements”	collectively, the Services Agreement and the Loan Guarantee Agreement
“Non-exempted Continuing Connected Transactions”	collectively, 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, Macau Special Administrative Region and Taiwan)
“Quam Capital” or “Independent Financial Adviser”	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 on the Non-exempted Continuing Connected Transactions (including the relevant annual caps)
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sedan Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the sedan (隨車工具包)
“Services Agreement”	the master agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the subsection headed “(I) Services Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholders”	holders of shares of the Company
“SKD Components”	Semi Knock Down Kit(s) or SKD(s) (半散裝套件)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

Note: For the purpose of this circular, the exchange rate of RMB 1 = HK\$1.2404 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

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu
Mr. Yang Jian
Mr. Gui Sheng Yue
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Mr. Li Dong Hui, Daniel
Mr. Liu Jin Liang
Dr. Zhao Fuquan
Ms. Wei Mei

Non-executive Director:

Mr. Yin Da Qing, Richard

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang

Registered Office:

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

Principal Place of Business in Hong Kong:

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

6 December 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2012 in which the Company announced that, *inter alia*, the Group entered into the Non-exempted Agreements with the Geely Holding Group which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Services Agreement and the Loan Guarantee Agreement (together, the Non-exempted Continuing Connected Transactions) are expected to be higher than 5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements

LETTER FROM THE BOARD

under Chapter 14A of the Listing Rules. As certain applicable percentage ratios for the Loan Guarantee Agreement exceed 5% but less than 25% on an annual basis, the transaction under the Loan Guarantee Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Services Agreement was signed on 27 November 2009 and has a term from 1 January 2010 to 31 December 2020 which was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. The information below sets out, amongst others, the annual caps for the Services Agreement from 1 January 2013 to 31 December 2015. The Loan Guarantee Agreement was signed on 16 November 2012 to renew the Existing Loan Guarantee Agreement, which will expire on 31 December 2012.

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 Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions and whether or not the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders; 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 Loan Guarantee Agreement, the reasonableness of the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions and whether or not the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(I) Services Agreement

Date: 27 November 2009

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial shareholder holding approximately 45.43% interest in the issued share capital of the Company as at the Latest Practicable Date.

Term: From 1 January 2010 to 31 December 2020.

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

LETTER FROM THE BOARD

The Services Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. The information below sets out, amongst others, the annual caps of this agreement for the three years ending 31 December 2013, 2014 and 2015 pursuant to Chapter 14A of the Listing Rules.

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

Subject matter: Pursuant to the Services Agreement, the Group agreed to supply to the Geely Holding Group, CKDs and Sedan Tool Kits in accordance with the product specifications set out in the Services Agreement. During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group. The additional services, subject to the Group's ability in providing the requested services to be based on normal commercial terms to be determined by the parties to the Services Agreement on an arm's length basis and in compliance with the Listing Rules, will be related to services that might occur in the process of manufacturing CKDs and Sedan Tool Kits for new models in the future.

Pricing basis: Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling price of the sedans to end customers, less distribution costs, costs of Sedan Tool Kits, the PRC taxes, including the consumption tax and water construction fund and stamp duty tax, and costs of other necessary and reasonable expenses. All sedan models sold by the Group are subject to the transactions contemplated under the Services Agreement. Consumption taxes applicable to the Group's vehicle models fall under three tax charge categories – 3%, 5% and 9% depending on the sedans' engine displacement sizes. Water construction fund and stamp duty tax is stable at 0.115%. The Sedan Tool Kits to be supplied by the Group to the Geely Holding Group will be based on the cost of the Sedan Tool Kits to the Group. Such pricing basis pursuant to the Services Agreement was determined by the parties on normal commercial terms, as the Sedan Tool Kits will be sold back to the Group for distribution to the end customers as part of the final assembled CBUs.

LETTER FROM THE BOARD

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2011 and the nine months ended 30 September 2012, and the proposed annual caps for the sales of CKDs and Sedan Tool Kits pursuant to the Services Agreement for each of the three years ending 31 December 2013, 2014 and 2015:

	Historical transaction amount for the year ended 31 December 2011 (Audited) '000	Historical transaction amount for the nine months ended 30 September 2012 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
			2013 '000	2014 '000	2015 '000
Sales of CKDs	RMB17,664,644 (equivalent to approximately HK\$21,911,224)	RMB14,122,896 (equivalent to approximately HK\$17,518,040)	RMB41,181,857 (equivalent to approximately HK\$51,081,975)	RMB50,709,816 (equivalent to approximately HK\$62,900,456)	RMB67,807,905 (equivalent to approximately HK\$84,108,925)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB34,097,304 (equivalent to approximately HK\$42,294,296)</i>	<i>RMB46,942,998 (equivalent to approximately HK\$58,228,095)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Sales of Sedan Tool Kits	RMB11,583 (equivalent to approximately HK\$14,368)	RMB1,911 (equivalent to approximately HK\$2,370)	RMB13,018 (equivalent to approximately HK\$16,148)	RMB16,194 (equivalent to approximately HK\$20,087)	RMB20,063 (equivalent to approximately HK\$24,886)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB35,370 (equivalent to approximately HK\$43,873)</i>	<i>RMB47,475 (equivalent to approximately HK\$58,888)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Total:	RMB17,676,227 (equivalent to approximately HK\$21,925,592)	RMB14,124,807 (equivalent to approximately HK\$17,520,410)	RMB41,194,875 (equivalent to approximately HK\$51,098,123)	RMB50,726,010 (equivalent to approximately HK\$62,920,543)	RMB67,827,968 (equivalent to approximately HK\$84,133,811)

LETTER FROM THE BOARD

The proposed annual caps above for the purchases of CKDs by the Geely Holding Group from the Group have been determined by the Directors with reference to the historical transaction amounts; the projected number of units of sedan to be sold based on the sales budget of the Group, the number of new models to be introduced to the market and the estimated selling price per sedan, less the distribution costs, estimated unit cost of Sedan Tool Kits, the PRC taxes, mainly the consumption tax per sedan, and the estimated costs of other necessary and reasonable expenses.

The proposed annual caps above for the purchases of Sedan Tool Kits by the Geely Holding Group from the Group have been determined by the Directors with reference to the historical transaction amounts; the projected number of units of sedan to be sold based on the sales budget of the Group; and the estimated unit cost of Sedan Tool Kits to the Group.

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

Subject matter: Pursuant to the Services Agreement, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and provide process manufacturing services to the Group in accordance with the product and service specifications set out in the Services Agreement.

Pricing basis: Pursuant to the Services Agreement, the CBUs, depending on the models, will be sold to the Group based on the selling price of the sedans to end customers, less distribution costs. All sedan models sold by the Group are subject to the transactions contemplated under the Services Agreement. The automobile parts and components to be supplied by the Geely Holding Group will be based on the original purchase cost plus the relevant procurement cost(s), being the actual cost(s) incurred in the procurement process by the Geely Holding Group. With regard to the process manufacturing services, the fee to be charged by the Geely Holding Group will be based on the annual linear depreciation of the value of the imported molding equipment plus the actual cost incurred by Geely Holding Group for the process manufacturing services. Such pricing basis pursuant to the Services Agreement was determined by the parties on an arm's length basis.

LETTER FROM THE BOARD

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2011 and the nine months ended 30 September 2012, and the proposed annual caps for the purchases of CBUs, automobile parts and components, and the process manufacturing services fees pursuant to the Services Agreement for each of the three years ending 31 December 2013, 2014 and 2015:

	Historical transaction amount for the year ended 31 December 2011 (Audited) '000	Historical transaction amount for the nine months ended 30 September 2012 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
			2013 '000	2014 '000	2015 '000
Purchases of CBUs	RMB18,366,832 (equivalent to approximately HK\$22,782,218)	RMB14,673,414 (equivalent to approximately HK\$18,200,903)	RMB43,725,703 (equivalent to approximately HK\$54,237,362)	RMB53,988,349 (equivalent to approximately HK\$66,967,148)	RMB72,628,051 (equivalent to approximately HK\$90,087,834)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB36,905,446 (equivalent to approximately HK\$45,777,515)</i>	<i>RMB50,473,652 (equivalent to approximately HK\$62,607,518)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Purchases of automobile parts and components	RMB5,970,401 (equivalent to approximately HK\$7,405,685)	RMB4,451,716 (equivalent to approximately HK\$5,521,909)	RMB8,179,652 (equivalent to approximately HK\$10,146,040)	RMB10,242,973 (equivalent to approximately HK\$12,705,384)	RMB13,557,739 (equivalent to approximately HK\$16,817,019)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB11,746,054 (equivalent to approximately HK\$14,569,805)</i>	<i>RMB8,904,623 (equivalent to approximately HK\$11,045,294)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Process manufacturing services fees	RMB102,241 (equivalent to approximately HK\$126,820)	RMB48,641 (equivalent to approximately HK\$60,334)	RMB84,900 (equivalent to approximately HK\$105,310)	RMB60,100 (equivalent to approximately HK\$74,548)	RMB99,533 (equivalent to approximately HK\$123,461)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB130,202 (equivalent to approximately HK\$161,503)</i>	<i>RMB113,455 (equivalent to approximately HK\$140,730)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Total:	RMB24,439,474 (equivalent to approximately HK\$30,314,723)	RMB19,173,771 (equivalent to approximately HK\$23,783,146)	RMB51,990,255 (equivalent to approximately HK\$64,488,712)	RMB64,291,422 (equivalent to approximately HK\$79,747,080)	RMB86,285,323 (equivalent to approximately HK\$107,028,314)

LETTER FROM THE BOARD

It is noted that the historical transaction amounts for the year ended 31 December 2011 and for the nine months ended 30 September 2012 were within the annual caps of the Services Agreement as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009.

The above proposed annual caps for the purchases of CBUs by the Group from the Geely Holding Group have been determined by the Directors with reference to the historical transaction amounts; the projected number of units of sedan to be sold based on the sales budget of the Group; the number of new models to be introduced to the market and the estimated selling price per sedan, less distribution costs per sedan.

The proposed annual caps for the purchases of automobile parts and components by the Group from the Geely Holding Group have been determined by the Directors with reference to the historical transaction amounts and the estimated increase in the purchase amounts of automobile parts and components sourced from the Geely Holding Group as a result of the estimated increase in projected number of units of sedan to be sold based on the sales budget of the Group.

The proposed annual caps for the process manufacturing services fees charged by the Geely Holding Group have been determined by the Directors with reference to the estimated cost of imported molding equipment required for process manufacturing services, the estimated cost incurred for the process manufacturing services, including the associated lease payments incurred by the Geely Holding Group given that the process manufacturing services are requested by the Group, and the annual depreciation rate for the molding equipment which is consistent with the accounting policy of the Group.

The Group is principally engaged in the manufacturing and trading of automobiles, automobile parts and related automobile components in the PRC. As noted in the Company's annual report for the year ended 31 December 2011, the Directors believe that car demand in China will continuously grow steadily in the coming decade, due to China's consistent economy growth, its rising household incomes and its low car ownership with only 1% of the population owning a sedan at present. Also, according to the figures released by the China Association of Automobile Manufacturers, total sales volume of passenger cars in China increased by 2.45% to 18 million units in 2011, surpassing most market expectations. Although fierce competition in China's sedan market remains, the Directors expect growth of China's sedan sales volume to be maintained at around 9% in the coming few years. In the first ten months of 2012, the Group sold 372,547 units of vehicle, achieving 81% of its full year sales volume target of 460,000 units. In particular, the Group's total export sales volume was 82,927 units in the first ten months of 2012, an increase of around 181% over the same period last year. The strong performance in the export markets together with the planned launch of new models, especially the higher-priced sport utility vehicles (SUVs) and multi-purpose vehicles (MPVs), would enable the Group entering into a rapid growth period in the coming years. In 2013, the Group will continue to focus on further expanding the total number of overseas point-of-sales to more than 730 by the end of 2015 and additional investment to improve brand awareness of the Group's products in order to develop its export business. In terms of new vehicles and models, the Group intends to launch new higher-priced sport utility vehicle (SUVs) and multi-purpose vehicles (MPVs) to capture the fast growing SUV and MPV markets in China, while the "Emgrand" brand vehicles is expected to continue to achieve steady growth, especially

LETTER FROM THE BOARD

the best-selling model, “EC7”. The Group intends to introduce the upgraded 2013 version of “EC7” in 2013 which is expected to attract good demand. Furthermore, the commencement of the mass production of automatic transmissions at the new plant in Xiangtan, the PRC at the end of June 2012 has enabled the Group to offer more vehicle models equipped with automatic transmissions, thus significantly enhancing the attractiveness of the Group’s products.

Accordingly, the Directors estimate the proposed annual caps amounts involved in the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services set out in the Services Agreement will increase significantly.

Rule 14A.35(1) of the Listing Rules provides, in relation to continuing connected transactions not falling under Rule 14A.33 of the Listing Rules, that where under special circumstances the nature of the transaction requires the agreement to be of a duration longer than three (3) years, the independent financial adviser to the Company will be required to explain why a longer period for the agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. Quam Capital opined in the Company’s circular dated 14 December 2009 that it is normal business practice for agreements like the Services Agreement to have a term longer than three years. The Services Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009.

(II) Loan Guarantee Agreement

Date: 16 November 2012

Parties: The Company; and
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is wholly-owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial shareholder holding approximately 45.43% interest in the issued share capital of the Company as at the Latest Practicable Date.

Subject matter: Pursuant to the Loan Guarantee Agreement, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group in relation to the manufacture and research and development of sedans of the Group.

The Geely Holding Group (i) warrants that the loans will only be utilized for sedan manufacturing and research and development activities relating to the Group; (ii) would obtain written consent from the Group prior to any drawdown of the loans; and (iii) agrees to provide 100% counter guarantees on the Guarantees in the form of cash.

LETTER FROM THE BOARD

As the Group is the ultimate borrower of the loans and directors' or shareholders' resolutions of the Group's members whose assets being pledged for the loans would be required in order for the Group to provide the Guarantees and issue its written consent to the Geely Holding Group to withdraw the loans, this mechanism ensures the loans drawn down by the Geely Holding Group under the Loan Guarantee Agreement will only be utilized for sedan manufacturing and research and development activities relating to the Group.

Term: From 1 January 2013 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever is later) to 31 December 2015.

Condition precedent for the Loan Guarantee Agreement

Completion of the Loan Guarantee Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Loan Guarantee Agreement.

If the above condition has not been fulfilled on or before 31 December 2012 (or such later date as the parties may agree in writing), the Loan Guarantee Agreement will lapse and all the obligations and liabilities of the parties to the Loan Guarantee Agreement will cease and terminate.

Historical transaction amounts and proposed annual caps

The Company and Geely Holding entered into the Existing Loan Guarantee Agreement on 27 November 2009 pursuant to which the Company agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group. The Existing Loan Guarantee Agreement has a term commencing from its effective date to 31 December 2012. The Existing Loan Guarantee Agreement was approved by the then Independent Shareholders at an extraordinary general meeting of the Company held on 31 December 2009.

LETTER FROM THE BOARD

The table below sets out the historical transaction amounts for the year ended 31 December 2011 and the nine months ended 30 September 2012, and the proposed annual caps for the aggregate maximum outstanding guarantee amount to be provided by the Group pursuant to the Loan Guarantee Agreement for each of the three years ending 31 December 2013, 2014 and 2015:

	Highest historical transaction amount for the year ended 31 December 2011 (Audited) '000	Highest historical transaction amount for the nine months ended 30 September 2012 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
			2013 '000	2014 '000	2015 '000
Aggregate maximum outstanding guarantee amount	RMB493,600 (equivalent to approximately HK\$612,261)	RMB600,000 (equivalent to approximately HK\$744,240)	RMB1,000,000 (equivalent to approximately HK\$1,240,400)	RMB1,200,000 (equivalent to approximately HK\$1,488,480)	RMB1,500,000 (equivalent to approximately HK\$1,860,600)
<i>Approved annual cap amount for the two financial years ending 31 December 2012 ('000)</i>	<i>RMB900,000 (equivalent to HK\$1,116,360)</i>	<i>RMB800,000 (equivalent to HK\$992,320)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

It is noted in the above table that the highest historical transaction amounts for the year ended 31 December 2011 and for the nine months ended 30 September 2012 were within their annual caps as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009.

The Directors consider that in order to tap into the increasing demand for the Company's sedans, funding resources have to be committed to research and development activities, which include new car model design, development of new engine, gearbox, electronic and electric auto-related components, etc, of the Group. The Geely Holding Group currently provides a good gateway for the Company to obtain loans at cheaper finance costs for sedan manufacturing and research and development activities through its long-term relationships with certain PRC banks. Security including the pledge of certain lands, buildings and facilities of the Group are required by these banks. The proposed annual caps for the Group's guarantees were determined with reference to the aggregate guarantee amount on the loans obtained of approximately RMB600 million (equivalent to approximately HK\$744 million) as at 30 September 2012, and on the loans to be obtained by the Geely Holding Group of approximately RMB900 million (equivalent to approximately HK\$1,116 million) starting from the effective date of the Loan Guarantee Agreement in relation to the sedan manufacturing and research and development activities relating to the Group. Given that (i) the Guarantees will be 100% counter indemnified by the Geely Holding

LETTER FROM THE BOARD

Group in form of cash; (ii) the Geely Holding Group would need to obtain written consent from the Group prior to any drawdown of the loans and (iii) the Group is the ultimate borrower of the loans for the manufacture and research and development of sedans, the Directors (including the independent non-executive Directors) are of the view that the terms of the Loan Guarantee Agreement, including its annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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

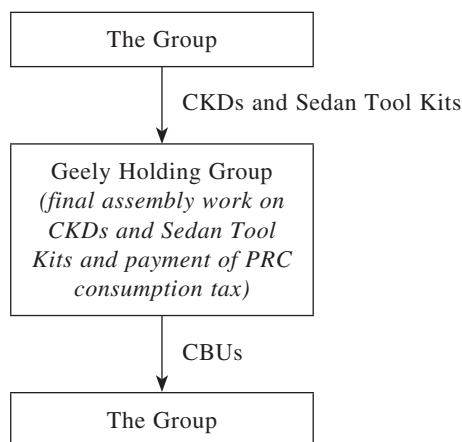
Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

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

Services Agreement

- i) *Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group and Sales of CBUs from the Geely Holding Group to the Group:*

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



The Geely Holding Group performs final assembly on the CKDs and the Sedan Tool Kits and facilitates payment of the PRC consumption tax. After performing final assembly, the Geely Holding Group sells the CBUs back to the Group's sales companies for distribution to end customers. As the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission (NDRC) in the PRC, which is required to facilitate payment of the PRC consumption tax, the Directors consider that the continuing connected transactions contemplated under the Services Agreement will ensure smooth operation of the Group, as the services of the Geely Holding Group would help facilitate payment of the PRC consumption tax.

LETTER FROM THE BOARD

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

The Directors consider that the continuing connected transactions contemplated under the Services Agreement are beneficially to the Group as the Geely Holding Group has long-term relationships with suppliers of these automobile parts and components. Procurement of the automobile parts and components through the Geely Holding Group would enable a stable source of raw materials at a competitive cost to the Group.

iii) *Provision of process manufacturing services from the Geely Holding Group to the Group:*

Certain imported molding equipment are required for the manufacturing of sedans by the Group. Only certain subsidiaries of the Geely Holding Group have the right to import these molding equipment required by the Group, the Directors (including the independent non-executive Directors) consider that the above continuing connected transactions contemplated under the Services Agreement are beneficial to the Group.

Loan Guarantee Agreement

In view of the long-term relationships with certain PRC banks, the Geely Holding Group is in a better position to obtain relatively larger loans on behalf of the Group at cheaper finance costs for sedan manufacturing and research and development activities relating to the Group's operations. Given that the Geely Holding Group (i) warrants that the loans will only be utilized for sedan manufacturing and research and development activities relating to the Group; (ii) would obtain written consent from the Group prior to any drawdown of the loans; and (iii) the Group is the ultimate borrower of the loans for the manufacture and research and development of sedans, the Directors (including the independent non-executive Directors) consider that the Guarantees will enhance the Group's future development. As the Group is the ultimate borrower of the loans and directors' or shareholders' resolutions of the Group's members whose their assets being pledged for the loans would be required in order for the Group to provide the Guarantees and issue its written consent to the Geely Holding Group to withdraw the loans, this mechanism ensures the loans drawn down by the Geely Holding Group under the Loan Guarantee Agreement will only be utilized for sedan manufacturing and research and development activities relating to the Group.

LISTING RULES IMPLICATIONS

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 45.43% interest in the issued share capital of the Company as at the Latest Practicable Date.

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

As the applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2015 for the transactions contemplated under each of the Services Agreement and the Loan Guarantee Agreement are expected to be higher than 5% on an annual basis, the Non-exempted Continuing Connected Transactions are subject to the reporting, annual review, announcement and

LETTER FROM THE BOARD

Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2015 for the transactions contemplated under the Loan Guarantee Agreement exceed 5% but less than 25% on an annual basis, the transaction under the Loan Guarantee Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Mr. Li abstained from voting on the resolution of the Board to approve the Loan Guarantee Agreement and the relevant caps in respect of the Non-exempted Continuing Connected Transactions due to his material interest in Geely Holding.

The EGM will be convened to approve the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions. Pursuant to Rule 14A.59(5) of the Listing Rules, any connected person of the Company with a material interest in the Non-exempted Continuing Connected Transactions, and any Shareholder with a material interest in the Non-exempted Continuing Connected Transactions and its associates, will not vote. As Mr. Li and his associates together hold 3,751,159,000 Shares (representing approximately 45.43% of the issued share capital of the Company) and are considered to have a material interest in the Non-exempted Continuing Connected Transactions as at the Latest Practicable Date, they will abstain from voting on the resolutions to approve the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions to be put forward at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions are fair and reasonable and in the interests of the Company and Independent Shareholders. Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions are on normal commercial terms, are entered into in the usual and ordinary course of business and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.

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 Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions. Your attention is also drawn to the letter of advice from Quam Capital on pages 18 to 30 which contains its opinion in respect of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.

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 Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions, which has been prepared for the purpose of inclusion in this circular.

GEELY
吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 175)

6 December 2012

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 6 December 2012 (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 on whether or not the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions 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 in respect of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions as set out on pages 18 to 30 of the Circular, and the letter from the Board set out on pages 4 to 16 of the Circular.

Having considered the terms and conditions of the Non-exempted Agreements, the factors and reasons considered by, and the opinion of Quam Capital as stated in its letter of advice, we consider that the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.

Yours faithfully,
Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang
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 terms of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions.



6 December 2012

*To the Independent Board Committee and
the Independent Shareholders*

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 terms of the Loan Guarantee Agreement and the relevant annual caps in respect of the Non-exempted Continuing Connected Transactions for the three years ending 31 December 2015 (the “Caps”). Details of the terms of the Loan Guarantee Agreement and the Caps are set out in the “Letter from the Board” contained in the circular (the “**Letter from the Board**”) issued by the Company to the Shareholders dated 6 December 2012 (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.

Messrs. Song Lin, Lee Cheuk Yin, Dannis, Yeung Sau Hung, Alex, Fu Yu Wu and Wang Yang, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Loan Guarantee Agreement has been entered into by the Group within its ordinary and usual course of business based on normal commercial terms; and its terms and conditions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) to advise the Independent Shareholders as to whether to vote in favour of the Loan Guarantee Agreement 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 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 Loan Guarantee Agreement and the Caps.

LETTER FROM QUAM CAPITAL

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 management of 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 the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have neither carried out any independent verification of the information, nor 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:

A. THE ANNUAL CAPS OF THE SERVICES AGREEMENT

1. Background to and reasons for the annual caps of the Services Agreement for the three years ending 31 December 2015

Pursuant to the Services Agreement, the Group agreed to supply to the Geely Holding Group CKDs and Sedan Tool Kits, and the Geely Holding Group agreed to sell the CBUs, automobile parts and components, and provide process manufacturing services to the Group (the “**Service Transactions**”) for a term from 1 January 2010 to 31 December 2020. The Services Agreement together with the annual caps for the Service Transactions for the three years ending 31 December 2012 (the “**2010-2012 Service Caps**”) were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. Further details of the Services Agreement and the 2010-2012 Service Caps were set out in the Company’s circular dated 14 December 2009. In view of the expiry of 2010-2012 Service Caps, the Company proposes to adopt the annual caps for the Service Transactions for the three years ending 31 December 2015 (the “**2013-2015 Service Caps**”) pursuant to Rule 14A.35(2) of the Listing Rules.

LETTER FROM QUAM CAPITAL

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

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

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

Only certain members of the Geely Holding Group have the right to import certain molding equipment required for the manufacturing of certain automobile parts and components which form part of the CKDs and the Sedan Tool Kits. We were advised by the Company that it would be cost ineffective and time consuming for the Group to apply for the approval from the relevant PRC regulatory authorities to import and operate the required molding equipment. Further, as advised by the Company, the process manufacturing services, involving the use of the aforesaid imported molding equipment, are essential and imperative to the manufacturing process of the CKDs and the Sedan Tool Kits, and will continue to be undertaken by certain members of the Geely Holding Group at the Group's production facilities.

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

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

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

LETTER FROM QUAM CAPITAL

Given the nature of the Service Transactions, it is reasonable to expect that the Service Transactions will continue to take place on a regular and frequent basis and in the ordinary and usual course of business of the Group in future. It would be impractical for the Company to strictly comply with the Listing Rules requirements regarding “connected transactions” on each occasion when it arises. As such, we are of the view that the adoption of the 2013-2015 Service Caps are essential for the Group in ensuring the continued smooth operation of its business of manufacturing and trading of automobiles, automobile parts and related automobile components for the three years ending 31 December 2015.

Based on the foregoing, we are of the view that the adoption of the 2013-2015 Service Caps is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

2. The 2013-2015 Service Caps

Set out below are the details of (i) the actual transacted amount of each of the Service Transactions for the year ended 31 December 2011 and the nine months ended 30 September 2012; (ii) the comparison of the annualised transacted amounts with the corresponding 2010-2012 Service Caps (the “**Service Transactions Utilisation Rate(s)**”); and (iii) the 2013-2015 Service Caps:

Type of the Service Transactions	Actual transacted amount		Caps		
	For the year ended	For the nine months ended	For the year ending 31 December		
	31 December 2011	30 September 2012	2013	2014	2015
		<i>(Note)</i>			
	'000	'000	'000	'000	'000
Purchases of automobile parts and components by the Group from the Geely Holding Group	RMB5,970,401 (equivalent to approximately HK\$7,405,685)	RMB4,451,716 (equivalent to approximately HK\$5,521,909)	RMB8,179,652 (equivalent to approximately HK\$10,146,040)	RMB10,242,973 (equivalent to approximately HK\$12,705,384)	RMB13,557,739 (equivalent to approximately HK\$16,817,019)
<i>Service Transactions Utilisation Rate:</i>	50.8%	66.7%	N/A	N/A	N/A
Provision of process manufacturing services by the Geely Holding Group to the Group	RMB102,241 (equivalent to approximately HK\$126,820)	RMB48,641 (equivalent to approximately HK\$60,334)	RMB84,900 (equivalent to approximately HK\$105,310)	RMB60,100 (equivalent to approximately HK\$74,548)	RMB99,533 (equivalent to approximately HK\$123,461)
<i>Service Transactions Utilisation Rate:</i>	78.5%	57.2%	N/A	N/A	N/A

LETTER FROM QUAM CAPITAL

Type of the Service Transactions	Actual transacted amount		Caps		
	For the year ended	For the nine months ended	For the year ending 31 December		
	31 December 2011	30 September 2012 <i>(Note)</i>	2013	2014	2015
	'000	'000	'000	'000	'000
Sales of CKDs by the Group to the Geely Holding Group	RMB17,664,644 (equivalent to approximately HK\$21,911,224)	RMB14,122,896 (equivalent to approximately HK\$17,518,040)	RMB41,181,857 (equivalent to approximately HK\$51,081,975)	RMB50,709,816 (equivalent to approximately HK\$62,900,456)	RMB67,807,905 (equivalent to approximately HK\$84,108,925)
<i>Service Transactions Utilisation Rate:</i>	51.8%	40.1%	N/A	N/A	N/A
Sales of Sedan Tool Kits by the Group to the Geely Holding Group	RMB11,583 (equivalent to approximately HK\$14,368)	RMB1,911 (equivalent to approximately HK\$2,370)	RMB13,018 (equivalent to approximately HK\$16,148)	RMB16,194 (equivalent to approximately HK\$20,087)	RMB20,063 (equivalent to approximately HK\$24,886)
<i>Service Transactions Utilisation Rate:</i>	32.7%	5.4%	N/A	N/A	N/A
Sales of CBUs by the Geely Holding Group to the Group	RMB18,366,832 (equivalent to approximately HK\$22,782,218)	RMB14,673,414 (equivalent to approximately HK\$18,200,903)	RMB43,725,703 (equivalent to approximately HK\$54,237,362)	RMB53,988,349 (equivalent to approximately HK\$66,967,148)	RMB72,628,051 (equivalent to approximately HK\$90,087,834)
<i>Service Transactions Utilisation Rate:</i>	49.8%	38.8%	N/A	N/A	N/A

Note: The relevant Service Transactions Utilisation Rates are calculated as the annualised actual transacted amounts for the nine months ended 30 September 2012 divided by the relevant 2010-2012 Service Caps for the year ending 31 December 2012.

LETTER FROM QUAM CAPITAL

(i) *The historical record of the transacted amounts of the Service Transactions*

Based on our review of the actual transacted amounts for the sales of CKDs by the Group to the Geely Holding Group, the sales of CBUs by the Geely Holding Group to the Group and the purchase of automobile parts and components by the Group from the Geely Holding Group for the first nine months of 2011 and 2012 respectively, we noted that there has been an upward trend. This was generally in line with the growth of sales volume of the Group's sedans during the first nine months of 2012. The growth was mainly attributable to the robust export sales, which increased by approximately 194.3% from 24,034 units of sedan for the nine months ended 30 September 2011 to 70,723 units of sedan for the nine months ended 30 September 2012. Export sales volume accounted for approximately 21.8% of the Group's total sales volume for the nine months ended 30 September 2012, compared to approximately 8.2% for the same period in 2011.

Notwithstanding the above, it is noted that the respective annualised Service Transactions Utilisation Rates for the year ended 31 December 2011 and the nine months ended 30 September 2012 were relatively low. We were advised that the relatively low annualised utilisation rates for the Service Transactions were mainly because the growth in China's sedan market slowed down considerably in 2011 after two exceptionally strong years in 2009 and 2010, principally driven by the Chinese Government's short-term stimulation programme to promote economy sedans in a bid to sustain economic growth in China. The expiration of the automobile stimulation programme at the end of 2010 and tighter monetary policy in China together suppressed the demand for economy sedans in China. Nonetheless, export sales of the Group's sedans continued to be very strong, resulting from the strong demand for the Group's products in the major export markets in Eastern Europe and the Middle East.

(ii) *The bases of determination of the 2013-2015 Service Caps*

It is noted that an upward trend is generally expected by the Directors for each of the 2013-2015 Service Caps of the Service Transactions (save for the decrease in the transaction amount relating to the provision of process manufacturing services for the year ending 31 December 2014) for the period from 1 January 2013 to 31 December 2015. It is also noted that the increases in the 2013-2015 Service Caps are generally in line with the expected growth of the sales of the Group's sedans as predicted by the Directors for the relevant years. In this regard, we have discussed with the Company's management on the underlying bases and assumptions and noted that the Directors have principally taken into account (i) the expected increase in the demand for the Group's sedans in the export markets for the three years ending 31 December 2015 benefiting from the relatively stable economic activity in the Group's major export markets and as a result of the Group's major investment in distribution capabilities, which increased the export point-of-sales from 351 locations by end of 2011 to 399 locations by September 2012, and brand image over the past few years; (ii) the expected launch of new sedan models during the three years ending 31 December 2015; (iii) the historical transacted amount of the Service Transactions; (iv) the estimated portion of the total procurement of automobile parts and components from the Geely Holding Group; and (v) the prevailing market prices of the Group's sedan models.

LETTER FROM QUAM CAPITAL

In our assessment of the reasonableness and fairness of the 2013-2015 Service Caps, we have reviewed, among other things, (i) the related sales budget of the Group for the three years ending 31 December 2015 compiled by the Group and the underlying bases and assumptions related thereto; (ii) the existing product range and the expected launch of new sedan models of the Group; (iii) the latest consumption tax rates on sales of sedans in the PRC released by the PRC tax bureau; (iv) the historical sales performance of the Group's sedans in the domestic market and the export markets; (v) the initiatives taken by the Group to develop its export sales in the past few years; (vi) the historical transacted amounts of the Service Transactions; and (vii) the prevailing market prices of the Group's existing major sedan models and the prevailing market prices of similar models in the China automobile market comparable to the new sedan models that are expected to be launched by the Group. We have also discussed with the management of the Company on the underlying principal assumptions and bases that have been taken into account by the Directors in setting the 2013-2015 Service Caps. We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the 2013-2015 Service Caps at the proposed levels, after taking into consideration the following:

- the Group intends to launch new higher-priced sport utility vehicle (“SUVs”) and multi-purpose vehicles (“MPVs”) to capture the fast growing SUV and MPV markets in China, while the “Emgrand” brand vehicles are expected to continue to achieve steady growth, especially the best-selling model, “EC7”. The Group intends to introduce the upgraded 2013 version of “EC7” in 2013 which is expected to attract good demand;
- the commencement of the mass production of automatic transmissions at the new plant in Xiangtan, the PRC at the end of June 2012 has enabled the Group to offer more vehicle models equipped with automatic transmissions, thus significantly enhancing the attractiveness of the Group's products;
- the management of the Company expects that export sales of the Group's vehicles will continue to grow, with the percentage of export sales to the total sales expecting to increase from approximately 21.8% for the nine months ended 30 September 2012 to approximately 30.7% for the year ending 31 December 2015. In 2013, the Group will continue to focus on further expanding the total number of overseas point-of-sales to more than 730 by the end of 2015 and additional investment to improve brand awareness of the Group's products in order to develop its export business;
- the estimated selling prices of new sedan models to be sold by the Group for each of the three years ending 31 December 2015 are determined with reference to the prevailing market prices of similar existing models in the PRC automobile market;
- the selling prices of the Group's existing sedans are generally estimated to remain steady for each of the three years ending 31 December 2015;
- the distribution costs of the CBUs, the manufacturing costs of the Sedan Tool Kits and the procurement cost of the automobile parts and components on a per unit basis are estimated to remain at about the similar level as those incurred in the previous years;

LETTER FROM QUAM CAPITAL

- the adoption of consumption tax rate of 3% or 5% or 9% for the transactions relating to the sales of the CKDs (subject to the engine size of the relevant sedan models), which is in line with the existing consumption tax rates on sales of sedans in the PRC;
- the Group has been reducing the portion of the total procurement of automobile parts and components from the Geely Holding Group from about 80% in 2009 to about 25% in 2012. The portion of the total procurement of automobile parts and components from the Geely Holding Group is expected to remain at about 25% for the three years ending 31 December 2015. The estimated increase in the sales amount of automobile parts and components for the three years ending 31 December 2015 is generally in line with the increase in projected units of sedan to be sold based on the sales budget of the Group as discussed above; and
- the decrease in the transaction amount relating to the provision of process manufacturing services for the year ending 31 December 2014 was mainly because two units of molding equipment will be fully depreciated in 2013.

Based on the factors and reasons discussed above, we are of the view that the 2013-2015 Service Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

B. THE LOAN GUARANTEE AGREEMENT

1. Background to and reasons for the Loan Guarantee Agreement and the relevant annual caps for the three years ending 31 December 2015

Pursuant to the Existing Loan Guarantee Agreement, the Group agreed to provide guarantees on loans obtained or to be obtained by the Geely Holding Group for a term from 1 January 2010 to 31 December 2012. The Existing Loan Guarantee Agreement, together with the relevant annual caps for the three years ending 31 December 2012 were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. In view of the expiry of the Existing Loan Guarantee Agreement and relevant annual caps for the three years ending 31 December 2012, the Company entered into the Loan Guarantee Agreement on 16 November 2012 and proposes to adopt the annual caps for the Guarantees for the three years ending 31 December 2015 (the “**2013-2015 Loan Guarantee Caps**”).

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

LETTER FROM QUAM CAPITAL

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

2. Principal terms of the Loan Guarantee Agreement

Pursuant to the Loan Guarantee Agreement, the Group agreed to provide the Guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group in relation to the manufacture and research and development of sedans of the Group for a term from 1 January 2013 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever is later) to 31 December 2015 (the "**Guarantee Transaction**").

It should be noted that the Geely Holding Group (i) guarantees that the Loan Facilities will only be utilised for sedan manufacturing and research and development activities relating to the Group; (ii) would obtain written consent from the Group prior to the drawdown of the Loan Facilities; and (iii) agrees to provide 100% counter guarantees on the Guarantees whereby in the event that the Guarantees are enforced by the relevant banks as a result of the default of the Geely Holding Group under the relevant facilities agreements, the Group shall have the right to be fully indemnified by the Geely Holding Group in the form of cash.

The Directors have confirmed to us that the Guarantee Transaction, which is capped at a range between RMB1,000 million and RMB1,500 million for the three years ending 31 December 2015, is not expected to have any material adverse impact on the Group's financial position, given (i) the existing financial position of the Group with unaudited net asset value of about RMB10.9 billion as at 30 June 2012; (ii) the economic benefits to be generated from utilising the Loan Facilities; (iii) that the repayment obligations shall lie with the Group which is and will continue to be the ultimate borrower of the Loan Facilities; (iv) that a written consent of the Group is required every time prior to drawdown of the Loan Facilities; and (v) the grant of 100% counter guarantees by the Geely Holding Group in consideration of the Guarantees. Based on our review of the registered capital, audited net asset value and non-pledged assets of the Geely Holding Group as at 31 December 2011 as advised by the Company and the maximum

LETTER FROM QUAM CAPITAL

amount of Guarantees as governed by the 2013-2015 Loan Guarantee Caps, we have no reason to doubt that the Geely Holding Group cannot provide the counter guarantees on the Guarantees. The Directors further confirmed that notwithstanding the above, the Group will assess its then financial position every time prior to drawdown of the Loan Facilities in order to avoid any material adverse impacts on its financial position.

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

It was stated in the annual reports of the Company for the years ended 31 December 2010 and 2011 that, among others, the Existing Loan Guarantee Agreement had been reviewed by the independent non-executive Directors and they confirmed that the transactions contemplated under the Existing Loan Guarantee Agreement were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) the actual transacted amounts did not exceed the respective annual caps for the years ended 31 December 2010 and 2011 as approved by the Stock Exchange and the then Independent Shareholders.

Besides, based on their work performed, the auditors of the Company have confirmed that the transactions under the Existing Loan Guarantee Agreement (a) had been approved by the Board; (b) had been entered into in accordance with the terms of the relevant agreement(s) governing the transactions; and (c) the actual transacted amount did not exceed the respective annual caps for the years ended 31 December 2010 and 2011 as approved by the Stock Exchange and the then Independent Shareholders.

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

- the solicitation for the Loan Facilities from the relevant PRC banks have been and will be undertaken by the Geely Holding Group;
- the Group is indeed the ultimate borrower of the Loan Facilities which are and will be solely utilised by the Group to finance its sedan manufacturing and research and development activities;
- the sole purpose of the Guarantee Transaction is to facilitate the Geely Holding Group to secure the Loan Facilities;
- the drawdown of the Loan Facilities is subject to prior written consent of the Group; and
- the Guarantees are 100% counter guaranteed by the Geely Holding Group,

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

LETTER FROM QUAM CAPITAL

3. The 2013-2015 Loan Guarantee Caps

Set out below are the details of (i) the actual maximum amounts of the guarantees for the financial year ended 31 December 2011 and the nine months ended 30 September 2012 respectively under the Existing Loan Guarantee Agreement; and (ii) the 2013-2015 Loan Guarantee Caps:

	Actual transacted amount		Caps		
	For the year	For the nine			
	ending	months ended			
	31 December	30 September	For the year ended 31 December		
	2011	2012	2013	2014	2015
	'000	'000	'000	'000	'000
Aggregate maximum	RMB493,600	RMB600,000	RMB1,000,000	RMB1,200,000	RMB1,500,000
outstanding guarantee	(equivalent to	(equivalent to	(equivalent to	(equivalent to	(equivalent to
amount	approximately	approximately	approximately	approximately	approximately
	HK\$612,261)	HK\$744,240)	HK\$1,240,400)	HK\$1,488,480)	HK\$1,860,600)

As stated in the Letter from the Board, the 2013-2015 Loan Guarantee Caps are referenced to the aggregate guarantee amount on the loans obtained of approximately RMB600 million (equivalent to approximately HK\$744 million) as at 30 September 2012 and on the loans to be obtained by the Geely Holding Group of approximately RMB900 million (equivalent to approximately HK\$1,116 million) during the term of the Loan Guarantee Agreement in relation to the Group's sedan manufacturing and research and development activities. In this regard, we have discussed with the Company's management on the underlying bases and assumptions, and noted that the Directors have principally taken into account (i) the funding requirement for the Group's sedan manufacturing and research and development activities; (ii) the ability of the Geely Holding Group to obtain low-cost financing given its long-term relationships with certain banks in the PRC; (iii) the amount of the Loan Facilities and Guarantees as at 30 September 2012; (iv) the range of the percentage of guarantee amounts provided by the Group for the loans obtained through the Geely Holding Group during the two years ended 31 December 2011 and the nine months ended 30 September 2012; and (v) the estimated amount of the Group's assets available to be pledged for the purpose of the provision of the Guarantees.

We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the 2013-2015 Loan Guarantee Caps at the proposed levels, after taking into consideration the following:

- the financial resources to be devoted to the Group's sedan manufacturing and research and development activities are expected to increase during the three years ending 31 December 2015 as a result of the increase in production activities to accommodate the expected increase in sales volume and the increase in research and development activities based on the product life cycle of the Group's existing sedan models;

LETTER FROM QUAM CAPITAL

- the 2013-2015 Loan Guarantee Caps represent approximately 43.5%, 52.2% and 65.2% of the amount of loans drawn down in respect of the loan facilities obtained through the Geely Holding Group as at 30 September 2012; and
- the Directors' confirmation that, in the absence of unforeseen circumstances, the provision of the Guarantees in a maximum amount of RMB1,500 million is not expected to have any material adverse impact on the Group's financial position, given (i) the total net asset value of the Group of about RMB10.9 billion as at 30 June 2012; (ii) that there has been no material adverse change to the respective net asset value position of the Group since 30 June 2012 and up to the Latest Practicable Date; and (iii) the grant of 100% counter guarantees by the Geely Holding Group in consideration of the Guarantees.

Based on the factors and reasons discussed above, we are of the view that the 2013-2015 Loan Guarantee Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

C. REQUIREMENTS OF THE LISTING RULES

For each financial year of the Company during the terms of the Services Agreement and the Loan Guarantee Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company's auditors as required by the provisions of Rules 14A.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, on terms no 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 agreements governing the transactions; and

LETTER FROM QUAM CAPITAL

- have not exceeded the cap disclosed in its previous announcement.

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 and on normal commercial terms as far as the Independent Shareholders are concerned.

RECOMMENDATION

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

- the nature of the Non-exempted Continuing Connected Transactions;
- that the adoption of the 2013-2015 Service Caps is for the facilitation of the continuing manufacturing and sales operations of the Group;
- that the Service Transactions are in line with the Group's principal business activities;
- that the entering into of the Loan Guarantee Agreement is for funding the Group's sedan manufacturing and research and development activities, which are within the ordinary and usual course of business of the Group;
- 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 levels which are in the interests of both the Company and the Shareholders as a whole,

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which 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 in controlled corporations	3,751,159,000	–	45.43
Mr. Yang Jian	Personal	8,000,000	–	0.10
Mr. Gui Sheng Yue	Personal	11,800,000	–	0.14
Mr. An Cong Hui	Personal	6,000,000	–	0.07
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Mr. Liu Jin Liang	Personal	6,000,000	–	0.07
Dr. Zhao Fuquan	Personal	14,500,000	–	0.18
Mr. Yin Da Qing, Richard	Personal	6,600,000	–	0.08

Name of Director	Capacity	Number of Shares in the Company		Shareholding percentage (%)
		Long position	Short position	
Share options				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.15
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.14
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.11
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.13
Mr. Li Dong Hui, Daniel	Personal	7,000,000 (Note 2)	–	0.08
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.11
Dr. Zhao Fuquan	Personal	11,000,000 (Note 2)	–	0.13
Ms. Wei Mei	Personal	8,000,000 (Note 2)	–	0.10
Mr. Yin Da Qing, Richard	Personal	11,000,000 (Note 2)	–	0.13
Mr. Song Lin	Personal	1,000,000 (Note 2)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	–	0.01

Notes:

1. Proper Glory Holding Inc. (“Proper Glory”) and its associates in aggregate hold 3,751,159,000 shares, representing approximately 45.43% of the issued share capital of the Company as at the Latest Practicable Date. 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. 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		Shareholding percentage (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Lanzhou Geely Automobile Industries Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 13)	–	(Note 13)

Notes:

1. Proper Glory Holding Inc. (“Proper Glory”) and its associates in aggregate hold 3,751,159,000 shares, representing approximately 45.43% of the issued share capital of the Company as at the Latest Practicable Date. 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 Automobile Company Limited (“Zhejiang Geely”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

4. Shanghai Maple Automobile Company Limited (“Shanghai Maple Automobile”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
5. Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
6. Zhejiang Jirun Automobile Company Limited (“Zhejiang Jirun”) is incorporated in the PRC and is 1% directly owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
7. Shanghai Maple Guorun Automobile Company Limited (“Shanghai Maple”) is incorporated in the PRC and is 1% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
8. Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
10. Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
11. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
12. Lanzhou Geely Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
13. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li 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 (Note 1)	Beneficial owner	2,462,400,000	–	29.82
Geely Holding (Note 1)	Interest in controlled corporations	3,751,072,000	–	45.43
Geely Group Ltd. (Note 1)	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,462,400,000	–	29.82
The Goldman Sachs Group, Inc.	Interest in controlled corporation	1,339,900,912	–	16.23
Gehicle Investment Holdings (Delaware) LLC	Beneficial owner	1,144,958,578	–	13.87

Notes:

- 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 wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above so far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) 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, or who was, 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 any other member of the Group or had any options in respect of such capital.

3. COMPETING INTEREST

Zhejiang Geely Holding Group Company Limited (“Geely Holding”), 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 Geely Holding will constitute competing businesses (the “Competing Businesses”) to those currently engaged by the Group. Mr. Li has undertaken to the Company (the “Undertaking”) that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

In August 2010, Geely Holding has completed the acquisition of Volvo Car Corporation, which manufactures of Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the “Volvo Acquisition”). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2011 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

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 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

Save for disclosed below and the Non-exempted Continuing Connected Transactions, 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.

- Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) between Shanghai LTI and Shanghai Maple Automobile

Pursuant to the Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) dated 27 November 2009, the Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”) agreed to supply to the Shanghai Maple Automobile Company Limited (“Shanghai Maple Automobile”) and Shanghai Maple Automobile agreed to purchase from the Shanghai LTI the automobile parts and components, SKD components and CKDs (without the imported engine, transmission and automobile parts) to be used in the LTI TX Series Products and saloon cars in accordance with product specification set out in the Supply and Purchase Agreement for Automobile Parts, Components and Sub-Assembly.

As the applicable percentage ratios of the continuing connected transactions contemplated under the Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) are less than 5% on an annual basis, the Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) is subject to the reporting, annual review, announcement requirements, but is exempt from Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

- Lease Agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College

Pursuant to the Lease Agreement dated 27 November 2009, the Group agreed to lease properties located in the PRC to the Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and its subsidiaries (collectively, the “Geely Holding Group”) and Zhejiang Automotive Vocational and Technical College. On 16 November 2012, the Company entered into a new lease agreement to renew the Lease Agreement after its expiry on 31 December 2012.

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

- Services Agreement between the Company and Geely Holding

Pursuant to the Services Agreement dated 20 August 2009, Geely Holding and its subsidiaries (collectively, the “Geely Holding Group”) agreed to (a) sell to the Group the processed automobile parts and components; and (b) purchase of (i) automobile parts and components, (ii) brakes, and (iii) pressing parts, engines and transmissions from the Group. On 11 April 2012, the Company and Geely Holding entered into another services agreement to govern the aforesaid continuing connected transactions of the Company for a term from 11 April 2012 to 31 December 2014.

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

- CBU Agreement between the Company and Geely Holding

Pursuant to the CBU Agreement dated 20 August 2009, the Group agreed to sell to Geely Holding and its subsidiaries (collectively, the “Geely Holding Group”) the complete buildup units (CBUs), in accordance with the product and service specifications set out in the CBU Agreement. On 11 April 2012, the Company and Geely Holding entered into another CBU agreement to govern the aforesaid continuing connected transactions of the Company for a term from 11 April 2012 to 31 December 2014.

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

- Imported Parts Purchase Agreement between the Shanghai Maple Auto Sales and Shanghai Maple

Pursuant to the Imported Parts Purchase Agreement dated 27 November 2009, Shanghai Maple Automobile Sales Company Limited (the “Shanghai Maple Auto Sales”) agreed to purchase from Shanghai Maple Automobile Company Limited (the “Shanghai Maple”) the imported TX4 after-sales car parts, in accordance with the product and service specifications set out in the Imported Parts Purchase Agreement.

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a 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 2011, 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 2011, the date to which the latest audited financial statements of the Group was made up;
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. GENERAL

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

- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the letter from the Independent Board Committee to the Independent 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 30 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 Services Agreement and the Loan Guarantee Agreement.

NOTICE OF THE EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “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 Monday, 24 December 2012 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

the cap amounts in respect of the supply of CKDs and Sedan Tool Kits (as defined in the circular of the Company dated 6 December 2012 (the “Circular”)) and the purchase of CBUs (as defined in the Circular), automobile parts and components and provision of process manufacturing services under the master agreement dated 27 November 2009 (the “Services Agreement”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“Geely Holding”, together with its subsidiaries, the “Geely Holding Group”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and as set out in the Circular for each of the three financial years ending 31 December 2015 be and are hereby approved; and

2. **“THAT**

- (a) the conditional agreement dated 16 November 2012 (the “Loan Guarantee Agreement”) entered into between the Company and Zhejiang Geely Holding Group Company Limited (“Geely Holding”, together with its subsidiaries, the “Geely Holding Group”), a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company together with its subsidiaries (the “Group”) agrees to provide guarantees (including the pledge of certain lands, buildings and facilities of the subsidiaries of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group (the “Guarantees”), be and is hereby approved, ratified and confirmed;
- (b) the cap amounts in respect of the Guarantees as set out in the circular of the Company dated 6 December 2012 for each of the three financial years ending 31 December 2015 be and are hereby approved; and

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

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

Hong Kong, 6 December 2012

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 share registrars of the Company, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Plaza, 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.