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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)

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

Financial Adviser to Geely Automobile Holdings Limited



Independent Financial Adviser to Geely Automobile Holdings Limited



EXEMPTED CONTINUING CONNECTED TRANSACTIONS

On 13 November 2015, the Company and Geely Holding entered into the following master agreements for a term of three years from 1 January 2016 to 31 December 2018:

(a) IT Services Agreement

a master agreement between the Company and Geely Holding pursuant to which the Geely Holding Group agreed to provide IT services to the Group in accordance with the requirements of the Group's operations.

(b) Business Travel Services Agreement

a master agreement between the Company and Geely Holding pursuant to which the Geely Holding Group agreed to provide certain business travel services to the Group, which include assisting the Group to purchase airline tickets for business travel and the provision of other related business travel services.

Reference is made to the Company's announcement dated 12 December 2014 in relation to the Existing CBU Agreement. Based on the reasons mentioned in this announcement below, the Directors expect that the maximum transaction amounts under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017 will exceed the original annual caps announced on 12 December 2014. On 13 November 2015, the Company and Geely Holding entered into the following supplemental master agreement for a term of two years from 1 January 2016 to 31 December 2017:

(c) Supplemental CBU Agreement

a supplemental master agreement between the Company and Geely Holding pursuant to which the original annual caps announced on 12 December 2014 under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017 are to be revised upwards.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 27 November 2009 and the Company's circular dated 14 December 2009 in relation to the Services Agreement and the Company's announcement dated 16 November 2012 and the Company's circular dated 6 December 2012 in relation to the Existing Loan Guarantee Agreement.

On 27 November 2009, the Company entered into the following master agreement for a term of ten years from 1 January 2010 to 31 December 2020:

(d) Services Agreement

a master agreement between the Company and Geely Holding pursuant to which (i) the Group agreed to sell the CKDs and Sedan Tool Kits to the Geely Holding Group; and (ii) the Geely Holding Group agreed to sell CBUs, automobile parts and components; and provide process manufacturing services to the Group.

Pursuant to the requirements of the Listing Rules, the Company will seek approval from the Independent Shareholders at the EGM on the annual caps in respect of the Services Agreement for the three years ending 31 December 2018.

On 13 November 2015, the Company entered into the following master agreement for a term of three years from 1 January 2016 to 31 December 2018:

(e) Electric Vehicle Agreement

a master agreement between the Company and Geely Holding pursuant to which the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group.

On 13 November 2015, the Company entered into the following master agreement for a term of three years from 1 January 2016 to 31 December 2018 to renew the Existing Loan Guarantee Agreement, which will expire on 31 December 2015:

(f) Loan Guarantee Agreement

a master agreement 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.

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 Geely Holding is an associate of Mr. Li, who is an executive Director and a substantial Shareholder holding approximately 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Accordingly, each of the IT Services Agreement, the Business Travel Services Agreement, the Supplemental CBU Agreement, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement constitutes continuing connected transactions for the Company pursuant to Rule 14A.31 of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 for the transactions contemplated under the IT Services Agreement, the Business Travel Services Agreement and the Supplemental CBU Agreement (together, the “**Exempted Continuing Connected Transactions**”) are less than 5% on an annual basis, the Exempted Continuing Connected Transactions are subject to the reporting, annual review, announcement requirements, but are exempt from Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 for the transactions contemplated under each of the Services Agreement, the Electric Vehicle 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 under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 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, Mr. Yang Jian and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Exempted Continuing Connected Transactions and the Non-exempted Continuing Connected Transactions by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the transactions contemplated under the IT Services Agreement, the Business Travel Services Agreement, the Supplemental CBU Agreement, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement and the adoption of the relevant annual caps.

Mr. Li and his associates together holding 3,774,299,000 Shares (representing approximately 42.88% of the issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the issued share capital of the Company) and Mr. An Cong Hui and his associates together holding 15,380,000 Shares (representing approximately 0.17% of the issued share capital of the Company) as at the date of this announcement, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions (and the relevant annual caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders. Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Non-exempted Continuing Connected Transactions (and the relevant annual caps).

A circular containing, *inter alia*, (a) further information about the Non-exempted Continuing Connected Transactions; (b) the letter of advice from Quam Capital Limited to the Independent Board Committee and the Independent Shareholders; (c) the recommendation from the Independent Board Committee; and (d) a notice of the EGM will be despatched to the Shareholders on or about 4 December 2015.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(I) IT Services Agreement

The Company and Geely Holding entered into the IT Services Agreement on 13 November 2015. The information below sets out the key terms of the IT Services Agreement:

Date: 13 November 2015

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Pursuant to the IT Services Agreement, the Geely Holding Group agreed to provide IT services to the Group in accordance with the requirements of the Group's operations. Such IT services include, among others, the setting up of enterprise resource planning software and system, the provision of technical consultancy services and other general IT services that are related to the Group's operations.

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the IT Services Agreement, the fees payable by the Group to the Geely Holding Group will be based on the daily charging rate of the IT technicians who are involved in and the hours spent on the provision of IT services. The aforesaid daily charging rate is determined by reference to applying a discount rate on the average rates charged by other IT technicians in the market.

Terms: From 1 January 2016 to 31 December 2018

Condition precedent for the IT Services Agreement

Completion of the IT Services Agreement is conditional upon the Company having complied with the requirements of the Listing Rules with regard to continuing connected transactions. If the above condition has not been fulfilled on or before 31 December 2015 (or such later date as the parties may agree in writing), the IT Services Agreement will lapse and all the obligations and liabilities of the parties to the IT Services Agreement will cease and terminate.

Proposed annual caps

There are no historical figures as the Geely Holding Group has not provided IT services to the Group before. The table below sets out the proposed annual caps for the IT services fees payable by the Group to the Geely Holding Group pursuant to the IT Services Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

	Proposed annual caps for the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
IT service fees payable by the Group to the Geely Holding Group	45,329	56,661	70,827

Basis of determination of the proposed annual caps

The proposed annual caps under the IT Services Agreement for the year ending 31 December 2016 was determined by the Directors by reference to the estimated IT services required by the Group based on the number of new business initiatives that would require IT services. The proposed annual caps for the two years ending 31 December 2017 and 2018 have been determined by the Directors based on an approximately 20% year-on-year growth from the previous year, taking into account the future growth of the Group and the increase in demand for IT services.

The Directors (including the independent non-executive Directors) are of the view that the IT Services Agreement is entered into in the ordinary and usual course of business of the Company, under normal commercial terms and the terms and the relevant annual caps of the IT Services Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(II) Business Travel Services Agreement

The Company and Geely Holding entered into the Business Travel Services Agreement on 13 November 2015. The information below sets out the key terms of the Business Travel Services Agreement:

Date: 13 November 2015

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Pursuant to the Business Travel Services Agreement, the Geely Holding Group agreed to provide certain business travel services to the Group, which include assisting the Group to purchase airline tickets for business travel and the provision of other related business travel services.

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the Business Travel Services Agreement, the fees payable by the Group to the Geely Holding Group will be based on the actual cost of the airline tickets plus a service fee. Such service fees are determined by reference to applying a discount rate on the average service fees charged by other ticketing service providers in the market.

Terms: From 1 January 2016 to 31 December 2018

Condition precedent for the Business Travel Services Agreement

Completion of the Business Travel Services Agreement is conditional upon the Company having complied with the requirements of the Listing Rules with regard to continuing connected transactions. If the above condition has not been fulfilled on or before 31 December 2015 (or such later date as the parties may agree in writing), the Business Travel Services Agreement will lapse and all the obligations and liabilities of the parties to the Business Travel Services Agreement will cease and terminate.

Proposed annual caps

There are no historical figures for the Business Travel Services Agreement as the Geely Holding Group has not provided business travel services to the Group before. The table below sets out the proposed annual caps for the business travel services fees payable by the Group to the Geely Holding Group pursuant to the Business Travel Services Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

	Proposed annual caps for the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Business travel services fees payable by the Group to the Geely Holding Group	88,692	107,712	126,732

Basis of determination of the proposed annual caps

The proposed annual caps for the business travel services fees payable by the Group to the Geely Holding Group have been determined by the Directors by reference to (i) the estimated number of domestic and international business travels required by the Group; (ii) the estimated average price of airline tickets; and (iii) the service fees charged by Geely Holding Group, which are expected to remain constant for the three years ending 31 December 2016, 2017 and 2018. The proposed annual caps for the two years ending 31 December 2017 and 2018 have been determined by the Directors based on an approximately 20% year-on-year growth from the previous year, taking into account the future growth of the Group and hence, an increasing need for domestic and international business travels.

The Directors (including the independent non-executive Directors) are of the view that the Business Travel Services Agreement is entered into in the ordinary and usual course of business of the Company, under normal commercial terms and the terms and the relevant annual caps of the Business Travel Services Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(III) Supplemental CBU Agreement

Reference is made to the Company's announcement dated 12 December 2014 in relation to the Existing CBU Agreement. As the Directors expect that the maximum transaction amounts under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017 will exceed the original annual caps under the Existing CBU Agreement, on 13 November 2015, the Company and Geely Holding entered into the Supplemental CBU Agreement to revise upwards

the original annual caps under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017. The information below sets out the key terms of the Existing CBU Agreement and the Supplemental CBU Agreement:

Date: 13 November 2015

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Pursuant to the Existing CBU Agreement and the Supplemental CBU Agreement, the Group agreed to sell CBUs (excluding CBUs (Electric Vehicles)) to the Geely Holding Group for distribution in the region of Taizhou, Zhejiang Province, the PRC.

The above activity will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the Existing CBU Agreement and the Supplemental CBU Agreement, in respect of the sales of CBUs to the Geely Holding Group, the selling price of CBUs will be determined in accordance with the principle of (i) the sales of CBUs will be conducted on an arm's length basis and on normal commercial terms; and (ii) CBUs will be sold with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors.

The prevailing market price of CBUs will be determined based on the following:

- (a) the price of the same or similar CBUs available to other independent third party distributors in the same or near region agreed on normal commercial terms and in the ordinary course of business; or

- (b) if (a) is not applicable, the price of the same or similar CBUs available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

Terms: From 1 January 2016 to 31 December 2017

Save for the increase in the annual caps for the two years ending 31 December 2016 and 2017, and the update of the condition precedent (as detailed below), the major terms of the Existing CBU Agreement remain unchanged.

Condition precedent for the Supplemental CBU Agreement

Completion of the Supplemental CBU Agreement is conditional upon the Company having complied with the requirements of the Listing Rules with regard to continuing connected transactions. If the above condition has not been fulfilled on or before 31 December 2015 (or such later date as the parties may agree in writing), the Supplemental CBU Agreement will lapse and all the obligations and liabilities of the parties to the Supplemental CBU Agreement will cease and terminate.

Proposed annual caps

The table below sets out the historical transaction amounts for the nine months ended 30 September 2015 under the Existing CBU Agreement, the original annual caps announced on 12 December 2014 under the Existing CBU Agreement, and the proposed annual caps for the sale of CBUs pursuant to the Supplemental CBU Agreement for each of the two years ending 31 December 2016 and 2017:

	Historical transaction amount for the nine months ended 30 September 2015 (Unaudited) <i>RMB'000</i>	Proposed annual caps for the year ending 31 December	
		2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Sale of CBUs from the Group to the Geely Holding Group	121,965	700,374	868,088
Original annual cap amounts for the three financial years ending 31 December 2017 announced on 12 December 2014	207,378	245,307	266,285

Basis of determination of the proposed annual caps

The revised annual caps have been determined by the Directors by reference to (i) the anticipated growth in sales of the existing models; (ii) the launch of new models in the coming years; and (iii) an estimated increase in the average selling price per CBU for the two years ending 31 December 2016 and 2017. Despite the historical transaction amount of CBUs for the nine months ended 30 September 2015 was only approximately RMB122.0 million, the Directors believe the sales amount of CBUs to the Geely Holding Group for distribution in Taizhou, Zhejiang Province, the PRC, for the two years ending 31 December 2016 and 2017 will be comparatively higher as the Geely Holding Group plans to more proactively promote sales of certain existing models, and the launch of new models will also stimulate higher demand for CBUs in Taizhou, Zhejiang Province, the PRC, in the coming years.

The Directors (including the independent non-executive Directors) are of the view that the relevant annual caps of the Supplemental CBU Agreement for the two years ending 31 December 2016 and 2017 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 27 November 2009 and the Company's circular dated 14 December 2009 in relation to the Services Agreement and the Company's announcement dated 16 November 2012 and the Company's circular dated 6 December 2012 in relation to the Existing Loan Guarantee Agreement.

(I) Services Agreement

The Services Agreement was signed on 27 November 2009 and has a term of ten years from 1 January 2010 to 31 December 2020. The then Rule 14A.35(1) of the Listing Rules (now Rule 14A.52) 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 Limited 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.

The information below sets out, among others, the annual caps for the Services Agreement from 1 January 2016 to 31 December 2018:

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Terms: 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.

(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 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.

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

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 sedans to end customers, less distribution costs, costs of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes and water construction fund and stamp duty tax; consumption taxes applicable to the Group's vehicle models fall under different tax charge categories ranging from 3% to 9% depending on the sedan's engine displacement sizes, and water construction fund and stamp duty tax which varies according to different regions in the PRC), and costs of other necessary and reasonable expenses, which mainly include the relevant salary and other office expenses.

The Sedan Tool Kits to be supplied by the Group to the Geely Holding Group will be based on the actual cost of the Sedan Tool Kits to the Group. The Sedan Tool Kits will be sold back to the Group for distribution to the end customers (for the avoidance of doubt, the Sedan Tool Kits sold back from the Geely Holding Group to the Group are included as part of CBUs).

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, 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 2016, 2017 and 2018:

	Historical	Historical	Proposed annual caps		
	transaction amount for the year ended 31 December 2014	transaction amount for the nine months ended 30 September 2015	for the year ending 2016	for the year ending 2017	for the year ending 2018
	(Audited) RMB'000	(Unaudited) RMB'000	RMB'000	RMB'000	RMB'000
Sale of CKDs	18,849,680	17,272,223	43,976,763	62,811,135	83,706,837
Approved annual cap amounts for the two financial years ending 31 December 2015	50,709,816	67,807,905	N/A	N/A	N/A
Sales of Sedan Tool Kits	8,873	1,801	34,821	48,991	61,480
Approved annual cap amounts for the two financial years ending 31 December 2015	<u>16,194</u>	<u>20,063</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total:	<u>18,858,553</u>	<u>17,274,024</u>	<u>44,011,584</u>	<u>62,860,126</u>	<u>83,768,317</u>

Basis of determination of the proposed annual caps

The proposed annual caps above for the purchases of CKDs by the Geely Holding Group from the Group have been determined by the Directors by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018 as a result of anticipated growth in sales of the existing models and the number of new models to be introduced to the market; and (ii) the projected average selling price per sedan to end customers, which are expected to increase for the three years ending 31 December 2016, 2017 and 2018.

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 by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018; and (ii) the estimated unit cost of Sedan Tool Kits to the Group, which are expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because (i) the Group had restructured its sales and marketing functions in the PRC in 2014, which negatively affected the domestic vehicle sales performance; and (ii) the Group's export sales was also challenged, primarily due to the political instability in some of its major export markets, and the weakening of emerging market currencies against RMB in 2014 and so far in 2015.

(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 CBUs (including CBUs (Electric Vehicles)), 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 and types, will be sold to the Group based on the selling price of the sedans to end customers, less distribution costs. 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 (which comprise mainly the factory leasing costs and direct labour and overhead costs).

The above activities will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, 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 2016, 2017 and 2018:

	Historical transaction amount for the year ended 31 December 2014 (Audited) RMB'000	Historical transaction amount for the nine months ended 30 September 2015 (Unaudited) RMB'000	Proposed annual caps for the year ending 31 December		
			2016 RMB'000	2017 RMB'000	2018 RMB'000
Purchase of CBUs	19,603,368	18,162,108	47,050,290	67,342,835	89,239,305
Approved annual cap amounts for the two financial years ending 31 December 2015	53,988,349	72,628,051	N/A	N/A	N/A
Purchase of automobile parts and components	3,401,891	2,874,804	11,282,384	17,940,062	26,009,872
Approved annual cap amounts for the two financial years ending 31 December 2015	10,242,973	13,557,739	N/A	N/A	N/A
Process manufacturing services fees	44,105	39,425	45,091	34,689	34,689
Approved annual cap amounts for the two financial years ending 31 December 2015	<u>60,100</u>	<u>99,533</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total:	<u><u>23,049,364</u></u>	<u><u>21,076,337</u></u>	<u><u>58,377,765</u></u>	<u><u>85,317,586</u></u>	<u><u>115,283,866</u></u>

It is noted that the historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 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 24 December 2012.

Basis of determination of the proposed annual caps

The proposed annual caps for the purchases of CBUs by the Group from the Geely Holding Group have been determined by the Directors by reference to (i) the anticipated growth in the units of sedan to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018 as a result of anticipated growth in sales of the existing models and the number of new models to be introduced to the market; and (ii) the projected average selling price per sedan to end customers, which are expected to increase for the three years ending 31 December 2016, 2017 and 2018.

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 by reference to 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 for the three years ending 31 December 2016, 2017 and 2018.

The proposed annual caps for the process manufacturing services fees charged by the Geely Holding Group have been determined by the Directors by reference to (i) the estimated cost of imported molding equipment required for process manufacturing services and the expected annual linear depreciation of such imported molding equipment based on the accounting policy of the Group; and (ii) the estimated cost incurred for the process manufacturing services, including the associated factory lease payments and direct labour and overhead costs incurred by the Geely Holding Group.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because (i) the Group had restructured its sales and marketing functions in the PRC in 2014, which negatively affected the domestic vehicle sales performance; and (ii) the Group's export sales was also challenged, primarily due to the political instability in some of its major export markets, and the weakening of emerging market currencies against RMB in 2014 and so far in 2015.

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. As noted in the Company's annual report for the year ended 31 December 2014, China's passenger vehicle market achieved stable growth in 2014. According to the figures released by the China Association of Automobile Manufactures, the total sales volume passenger cars in the PRC increased by approximately 9.9% as compared to a decrease in the total sales volume of passenger cars

of the Group of approximately 16.8% in 2014 due the implementation of a series of major structural reforms in the Group's marketing functions from mid-2013 through 2014. However, the Group's average per unit sales price had improved slightly in 2014 as the result of the improvement in product mix during the year. The Group's model of the flagship mid-size model "EC7" together with its upgraded version remained the Group's popular models in which it accounted for approximately 38.9% of the Group's total sales volume in 2014. Taking into account the year-on-year decrease in total sales volume of the Group in 2014 as compared to 2013 as stated in the 2014 Annual Report and recent structural reforms, the Group's sales volume target for 2015 is relatively conservative with a target of approximately 450,000 units, which represents an increase of approximately 7.7% from 417,851 units for 2014. Accordingly, the Directors estimate the proposed annual caps amounts for the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services as set out in the Services Agreement for the two years ending 31 December 2016 and 2017 to be lower than the respective approved annual caps for the two years ended/ending 31 December 2014 and 2015. In the first ten months of 2015, the Group sold 404,063 units of vehicle, achieving 90% of its full year sales volume target of 450,000 units. The strong sales performance in the domestic market, the enhancement in the Group's overall competitiveness after the aforementioned structural reforms in its marketing functions together with the planned launch of new or upgraded models in the remainder of the year, would enable the Group entering into a rapid growth period in the coming years. In 2016, the Group intends to launch compact sport utility vehicle (Compact SUV) and "Emgrand" full size compact sport utility vehicle (Emgrand SUV) to capture the fast growing SUV market in China, while the "Emgrand" brand vehicles are expected to continue to achieve steady growth, especially the best-selling model, "EC7". As such, the Directors expect there will be an increasing trend in the proposed annual caps amounts for the sales of CKDs and Sedan Tool Kits, the purchase of CBUs, automobile parts and components and process manufacturing services as set out in the Services Agreement for the three years ending 31 December 2016, 2017 and 2018.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the relevant annual caps of the Services Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(II) Electric Vehicle Agreement

The Company and Geely Holding entered into the Electric Vehicle Agreement on 13 November 2015. The information below sets out the key terms of the Electric Vehicle Agreement:

Date: 13 November 2015

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Pursuant to the Electric Vehicle Agreement, the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group.

The above activity will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties to the Company.

Pricing basis: Pursuant to the Electric Vehicle Agreement, in respect of the sales of CBUs (Electric Vehicles) to the Geely Holding Group from the Group, the selling price of CBUs (Electric Vehicles) will be determined in accordance with the principle of (i) the sales of CBUs (Electric Vehicles) will be conducted on an arm's length basis and on normal commercial terms; and (ii) CBUs (Electric Vehicles) will be sold with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors.

The prevailing market price of CBUs (Electric Vehicles) will be determined based on the following:

- (a) the price of the same or similar CBUs (Electric Vehicles) available to other independent third party distributors in the same or near region agreed on normal commercial terms and in the ordinary course of business; or
- (b) if (a) is not applicable, the price of the same or similar CBUs (Electric Vehicles) available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

Terms: From 1 January 2016 to 31 December 2018

Condition precedent for the Electric Vehicle Agreement

Completion of the Electric Vehicle Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Electric Vehicle Agreement. If the above condition has not been fulfilled on or before 31 December 2015 (or such later date as the parties may agree in writing), the Electric Vehicle Agreement will lapse and all the obligations and liabilities of the parties to the Electric Vehicle Agreement will cease and terminate.

Proposed annual caps

There are no historical figures as the Group has not sold CBUs (Electric Vehicles) to the Geely Holding Group before. The table below sets out the proposed annual caps for the sale of CBUs (Electric Vehicles) pursuant to the Electric Vehicle Agreement for each of the three years ending 31 December 2016, 2017 and 2018:

	Proposed annual caps for the year ending 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of CBUs (Electric Vehicles)	1,000,000	2,000,000	4,000,000

Basis of determination of the proposed annual caps

The proposed annual caps for the sale of CBUs (Electric Vehicles) by the Group to the Geely Holding Group have been determined by the Directors by reference to (i) the anticipated growth in the units of electric vehicles to be sold based on the sales budget of the Group for the three years ending 31 December 2016, 2017 and 2018; and (ii) the projected selling price per electric vehicle to end customers, which are expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the relevant annual caps of the Electric Vehicle Agreement for the three years ending 31 December 2016, 2017 and 2018 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(III) Loan Guarantee Agreement

The Company and Geely Holding entered into the Loan Guarantee Agreement on 13 November 2015 to renew the Existing Loan Guarantee Agreement, which will expire on 31 December 2015. The information below sets out the key terms of the Loan Guarantee Agreement:

Date: 13 November 2015

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 42.88% interest in the issued share capital of the Company as at the date of this announcement.

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 activity relating to the Group; (ii) would obtain consent from the Group prior to any drawdown of the loans; and (iii) agrees to provide counter indemnified guarantees on the Guarantees.

Terms: From 1 January 2016 or the date of obtaining the Independent Shareholders' approval at the EGM (whichever is later) to 31 December 2018.

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 2015 (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 table below sets out the historical transaction amounts for the year ended 31 December 2014 and the nine months ended 30 September 2015, 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 2016, 2017 and 2018:

	Historical transaction amount for the year ended 31 December 2014	Historical transaction amount for the nine months ended 30 September 2015	Proposed annual caps for the year ending 31 December		
			2016	2017	2018
	<i>(Audited) RMB'000</i>	<i>(Unaudited) RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate maximum outstanding guarantee amount	340,000	340,000	1,500,000	1,500,000	1,500,000
Approved annual cap amounts for the two financial years ending 31 December 2015	1,200,000	1,500,000	N/A	N/A	N/A

It is noted in the above table that the highest historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were within their annual caps as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 24 December 2012.

Basis of determination of the proposed annual caps

Similar to the reasons for entering into the Existing Loan Guarantee Agreement, 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, 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 activity 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 by reference to the loans to be obtained by the Geely Holding Group starting from the effective date of the Loan Guarantee Agreement in relation to the sedan manufacturing and research and development

activity relating to the Group. As advised by the Geely Holding Group, the Geely Holding Group has already discussed with certain PRC banks and they have made preliminary plans with regard to financing needs of the Group and cost of financing for the year ending 31 December 2016. The proposed annual caps for the three years ending 31 December 2016, 2017 and 2018 are identical to the approved annual caps for the year ending 31 December 2015.

The historical transaction amounts for the year ended 31 December 2014 and for the nine months ended 30 September 2015 were relatively low as compared to the approved annual cap amounts because during the aforesaid period, certain PRC banks were not able to offer loans with desirable terms to the Geely Holding Group and hence, low percentages of the approved annual caps under the Existing Loan Guarantee Agreement were utilised. Furthermore, as a result of the People's Bank of China recently lowering benchmark interest rates in the PRC, it is anticipated that the Geely Holding Group will be able to obtain loans with more desirable terms during the three years ending 31 December 2016, 2017 and 2018 as compared to the two years ended/ending 31 December 2014 and 2015.

Given that (i) the Guarantees will be counter indemnified by the Geely Holding Group; (ii) the Geely Holding Group would need to obtain 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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) 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.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING

In order to ensure that the aforesaid pricing bases for all agreements are adhered to, the Company will adopt the following internal control measures:

IT Services Agreement and Business Travel Services Agreement

The Group will obtain quotations from various independent service providers comparable with the Geely Holding Group in terms of quality of services on an annual basis. The Group will then compare the prices offered by the Geely Holding Group with those quoted by these independent service providers to ensure that the fees payable by the Group to the Geely Holding Group are no less favourable than the prices provided by such independent service providers.

The Group will also obtain from the Geely Holding Group a list of all comparable transactions entered into between the Geely Holding Group and independent third parties. The Group will then compare the prices of similar services offered by the Geely Holding Group to independent third parties to ensure that the fees payable by the Group to the Geely Holding Group are no less favourable than the prices offered by the Geely Holding Group to independent third parties.

Supplemental CBU Agreement

The Group will regularly monitor the expected selling price of sedans and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling price of CBUs. Moreover, the transactions contemplated under the Existing CBU Agreement and the Supplemental CBU Agreement will be supervised and monitored by the Group's general managers in charge to ensure both agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

Services Agreement

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

For the sale of CKDs and Sedan Tool Kits by the Group, the Group will regularly monitor the expected selling price of sedans and relevant cost items, which include mainly distribution costs, cost of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes), and costs of other necessary and reasonable expenses to ensure that the selling price of CKDs and Sedan Tool Kits are determined correctly. The Group and the Geely Holding Group will regularly negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

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

For the purchase of CBUs by the Group, the Group will regularly keep track of the expected selling price of sedans and relevant cost items, which include mainly distribution costs, to ensure the fairness of the purchase price of CBUs. For the purchase of automobile parts and components by the Group, and the provision of process manufacturing services from the Geely Holding Group to the Group, the Group and the Geely Holding Group will regularly negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

Electric Vehicle Agreement

The Group will regularly monitor the expected selling price of electric vehicles and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling price of CBUs (Electric Vehicles). Moreover, the transactions contemplated under the Electric Vehicle Agreement will be supervised and monitored by the Group's general managers in charge to ensure both agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

In relation to the aforesaid internal control measures for all agreements, the internal audit department of the Group will regularly conduct assessment on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are

effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Company also engages its independent auditors to report on all continuing connected transactions every year. The independent auditors review and confirm whether all continuing connected transactions have been approved by the Board; were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

The Board considers the results from the above reviews and takes action to further strengthen the internal control measures on all continuing connected transactions of the Group if necessary.

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 CONTINUING CONNECTED TRANSACTIONS

IT Services Agreement

Pursuant to the IT Services Agreement, the Geely Holding Group will provide IT services to the Group in accordance with the requirements of the Group's operations. The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the IT Services Agreement are beneficial to the Group as the Geely Holding Group are able to provide IT services to the Group on more competitive terms than independent third party IT service providers.

Business Travel Services Agreement

Pursuant to the Business Travel Services Agreement, the Geely Holding Group will provide business travel services to the Group, which include assisting the Group to purchase airline tickets for business travel and provide other related business travel services. The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Business Travel Services Agreement are beneficial to the Group as the Geely Holding Group are able to provide airline ticketing services to the Group on more competitive terms than independent third party airline ticketing service providers by charging lower service fees.

Supplemental CBU Agreement

As the Directors anticipate that there will be growth in sales of the Group's automobiles due to an increase in sales of existing models and the launch of new models in the coming years, and that the original annual caps under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017 of approximately RMB245.3 million and RMB266.3 million will not be sufficient to meet such growth in sales, the Directors have decided to enter into the Supplemental CBU Agreement to revise upwards the original annual caps under the Existing CBU Agreement for the two years ending 31 December 2016 and 2017.

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 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 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 (including the independent non-executive 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.

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

The Directors (including the independent non-executive 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.

Electric Vehicle Agreement

With the increasing public awareness of environmental protection and the PRC government policy relating to saving fuel and reducing vehicle emission, major vehicles manufacturers are actively developing and promoting electric vehicles and hybrid vehicles. The Board has long recognised the development potential in the electric vehicles market in the PRC, and hence, the Group starts to commence production of electric version of the “EC7” model in 2015. With the electric version of the “EC7” model being launched to the mass market in 2016 in the PRC, it is anticipated that the Group will be selling these electric vehicles through the Geely Holding Group as only certain subsidiaries of the Geely Holding Group are eligible to obtain the PRC government grants for the sale of electric vehicles. As such, the sale of CBUs (Electric Vehicles) from the Group to the Geely Holding Group under the Electric Vehicle Agreement will facilitate the Group’s sale of electric vehicles in the PRC. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the above continuing connected transactions contemplated under the Electric Vehicle Agreement are beneficial to the Group as it would ensure a stable demand for the Company’s products.

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 activity relating to the Group; (ii) would obtain 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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the Guarantees will continue to enhance the Group’s future development and growth.

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 Geely Holding is an associate of Mr. Li, who is an executive Director and a substantial Shareholder holding approximately 42.88% interest in the issued share capital of the Company as at the date of this announcement.

Accordingly, each of the IT Services Agreement, the Business Travel Services Agreement, the Supplemental CBU Agreement, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement constitutes continuing connected transactions for the Company pursuant to Rule 14A.31 of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 for the transactions contemplated under each of the Exempted Continuing Connected Transactions are less than 5% on an annual basis, the Exempted Continuing Connected Transactions are subject to the reporting, annual review, announcement requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 for the transactions contemplated under each of 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 under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the proposed annual caps for the three years ending 31 December 2018 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, Mr. Yang Jian and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Exempted Continuing Connected Transactions and the Non-exempted Continuing Connected Transactions by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the transactions contemplated under the IT Services Agreement, the Business Travel Services Agreement, the Supplemental CBU Agreement, the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement and the adoption of the relevant annual caps.

Mr. Li and his associates together holding 3,774,299,000 Shares (representing approximately 42.88% of the issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the issued share capital of the Company) and Mr. An Cong Hui and his associates together holding 15,380,000 Shares (representing approximately 0.17% of the issued share capital of the Company) as at the date of this announcement, will all abstain from voting on the resolutions be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions (including the relevant annual caps).

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions (and the relevant annual caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders. Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Non-exempted Continuing Connected Transactions (and the relevant annual caps).

GENERAL

A circular containing, *inter alia*, (a) further information about the Non-exempted Continuing Connected Transactions; (b) the letter of advice from Quam Capital Limited to the Independent Board Committee and the Independent Shareholders; (c) the recommendation from the Independent Board Committee; and (d) a notice of the EGM will be despatched to the Shareholders on or about 4 December 2015.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Travel Services Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(II) Business Travel Services Agreement” of the section headed “Exempted Continuing Connected Transactions” of this announcement
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CBU (Electric Vehicle)”	Complete Buildup Unit for electric vehicle (電動整車), a complete electric 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)

“Electric Vehicle Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(II) Electric Vehicle Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this announcement
“Existing CBU Agreement”	the master agreement dated 12 December 2014 entered into between the Company and Geely Holding pursuant to which the Group agreed to sell CBUs to the Geely Holding Group, details of which are disclosed in the Company’s announcement dated 12 December 2014
“Existing Loan Guarantee Agreement”	the master agreement dated 16 November 2012 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 16 November 2012 and the Company’s circular dated 6 December 2012
“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
“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
“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. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Wu Yu, Mr. An Qing Heng 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

“IT”	information technology
“IT Services Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(I) IT Services Agreement” of the section headed “Exempted Continuing Connected Transactions” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Guarantee Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(III) Loan Guarantee Agreement” of the section headed “Non-exempted Continuing Connected Transactions” of this announcement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 42.88% interest in the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Quam Capital Limited” or “Independent Financial Adviser”	Quam Capital Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Sedan Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the sedan
“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 announcement
“Shareholders”	holders of shares of the Company

“Supplemental CBU Agreement”	the supplemental master agreement dated 13 November 2015 entered into between the Company and Geely Holding as referred to under the subsection headed “(III) Supplemental CBU Agreement” of the section headed “Exempted Continuing Connected Transactions” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUV”	sport utility vehicle
“%”	Per cent.

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

Hong Kong, 13 November 2015

As at the date of this announcement, the executive Directors are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang and Ms. Wei Mei, the non-executive Director is Mr. Carl Peter Edmund Moriz Forster, and the independent non-executive Directors are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang.