
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

**(1) REVISION OF ANNUAL CAPS AND
NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 44 of this circular.

A notice convening the EGM to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Monday, 28 November 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

11 November 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM QUAM CAPITAL	25
APPENDIX I – GENERAL INFORMATION	I-1
NOTICE OF THE EGM	EGM-1

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBU(s)”	Complete Buildup Unit(s) (整車), a complete vehicle after the final assembly; for avoidance of doubt, including CBUs (Electric Vehicles)
“CBU(s) (Electric Vehicle(s))”	Complete Buildup Unit(s) for electric vehicle(s) (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 (stock code: 175)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Non-exempted Continuing Connected Transactions
“Existing EV Agreement”	the master agreement dated 13 November 2015 entered into between the Company and Geely Holding pursuant to which the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group, details of which are disclosed in the Company’s announcement dated 13 November 2015
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the Latest Practicable Date
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Latest Practicable Date”	8 November 2016, being the latest practicable date prior to the dispatch of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 42.73% interest in the total issued share capital of the Company as at the Latest Practicable Date
“Non-exempted Continuing Connected Transactions”	collectively, the Supplemental EV Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps (EV)), and the Revised Annual Caps (Services Agreement)
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Proposed Annual Caps (EV)”	the revised annual caps being proposed under the Supplemental EV Agreement
“Quam Capital” or “Independent Financial Adviser”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser appointed by the independent board committee to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Supplemental EV Agreement (including the Proposed Annual Caps (EV)); and (ii) the Revised Annual Caps (Services Agreement)
“Revised Annual Caps (Services Agreement)”	the proposed revised annual caps for the three years ending 31 December 2018 for the sale of CKDs and purchase of CBU’s contemplated under the Services Agreement

DEFINITIONS

“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 “Revised Annual Caps (Services Agreement) for the transactions contemplated under the Services Agreement” of the section headed “Non-Exempted Continuing Connected Transactions” of this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental EV Agreement”	the supplemental master agreement dated 5 October 2016 entered into between the Company and Geely Holding as referred to under the subsection headed “Supplemental EV Agreement” of the section headed “Non-Exempted Continuing Connected Transactions” of this circular
“SUV”	sport utility vehicle
“%”	per cent

* *For identification purpose only*

LETTER FROM THE BOARD

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

Executive Directors:

Mr. Li Shu Fu (Chairman)
Mr. Yang Jian (Vice Chairman)
Mr. Li Dong Hui, Daniel (Vice Chairman)
Mr. Gui Sheng Yue (CEO)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-Executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Registered Office:

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

Principal Place of Business

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

11 November 2016

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS AND
NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

Reference is made to the Company's announcements dated 5 October 2016 and 18 October 2016, in relation to, among others, the Supplemental EV Agreement and the Revised Annual Caps (Services Agreement).

In view of the increasing demand for the Group's electric and new energy vehicle products, on 5 October 2016, the Company entered into the Supplemental EV Agreement with Geely Holding for the three years ending 31 December 2016, 2017 and 2018 pursuant to which the parties agreed to increase the annual caps for the sales of CBUs (Electric Vehicles) by the Group to Geely Holding Group. Similarly, in view of the better-than-expected demand for the Group's vehicle products, the Board expects that the original annual

LETTER FROM THE BOARD

caps for the sale of CKDs and purchase of CBUs contemplated under the Services Agreement for the three years ending 31 December 2018 will not be sufficient to meet the Company's requirements. As such, the Board also approved to revise upward the annual caps for the three years ending 31 December 2018 under the Services Agreement.

The Company has established the Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang (all of whom are independent non-executive Directors) to advise the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions. Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection therewith. The appointment of Quam Capital has been approved by the Independent Board Committee.

The purpose of this circular is to provide you with, inter alia, (i) further information on the Non-exempted Continuing Connected Transactions; (ii) the recommendation from the Independent Board Committee in respect of the terms of the Supplemental EV Agreement and the Revised Annual Caps (Services Agreement); (iii) the advice from Quam Capital to the Independent Board Committee and the Independent Shareholders regarding the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement); (iv) the notice convening the EGM together with the form of proxy for the purpose of considering and, if thought fit, approving the Non-exempted Continuing Connected Transactions; and (v) other information as required under the Listing Rules.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(1) The Supplemental EV Agreement

Reference is made to the Company's announcement dated 13 November 2015 and the Company's circular dated 14 December 2015 in relation to the Existing EV Agreement. In view of the increasing demand for the Group's electric and new energy vehicle products, the Directors expect that the maximum transaction amounts under the Existing EV Agreement for the three years ending 31 December 2016, 2017 and 2018 will exceed their original annual caps, on 5 October 2016, the Company and Geely Holding entered into the Supplemental EV Agreement to revise upward the original annual caps under the Existing EV Agreement for the three years ending 31 December 2016, 2017 and 2018.

The Supplemental EV Agreement is a supplemental agreement to the Existing EV Agreement in which the terms in the Supplemental EV Agreement are consistent with the Existing EV Agreement, save for the condition precedent and the Proposed Annual Caps (EV) being revised under the Supplemental EV Agreement.

The principal terms of the Supplemental EV Agreement are set out below:

Date: 5 October 2016

Parties: The Company; and
Geely Holding

LETTER FROM THE BOARD

Geely Holding is an associate of Mr. Li and 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 42.73% interest in the issued share capital of the Company as at the Latest Practicable Date.

Terms: From the effective date of the Supplemental EV Agreement (i.e. satisfaction of condition precedent as detailed below) to 31 December 2018

Subject matter: Pursuant to the Existing EV Agreement and the Supplemental EV 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 Existing EV Agreement and the Supplemental EV 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.

LETTER FROM THE BOARD

Payment term: All transactions contemplated in the Existing EV Agreement and the Supplemental EV Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.

Since the launch of the Group's electric vehicles in 2016, no CBUs (Electric Vehicles) have been sold by the Group to independent third party distributors. As at the Latest Practicable Date, the Company has no plans to sell CBUs (Electric Vehicles) to independent third party distributors as the purpose of selling CBUs (Electric Vehicles) to the Geely Holding Group is that only certain subsidiaries of the Geely Holding Group are eligible to obtain the PRC government subsidies for the sale of Geely's electric and new energy vehicles. Since commencement of the transactions contemplated under the Existing EV Agreement, the Group has a designated market research team to keep track of selling prices of similar electric vehicles in the market for competing brands through public available information on a monthly basis to ensure CBUs (Electric Vehicles) are being sold at prices that are comparable to the market and share their findings with the sales teams and finance department accordingly. In relation to the aforementioned public available information, the designated market research team would normally visit the websites of China Passenger Car Association and other reliable automobile distributors to stay informed of information relating to automobile selling prices and new energy vehicle models that are being launched in the PRC. From these websites, the market research team will look at models which are similar to the CBUs (Electric Vehicles) being sold by the Geely Holding Group mainly in terms of dimensions and cruising range for the purpose of comparison. The market research team will also visit the automobile distributors in the locations in which the CBUs (Electric Vehicles) are being sold to verify the selling prices of the similar electric vehicles from the public available information. Subject to availability, the market research team will normally refer to no less than three new energy vehicle models in the market for the purpose of price comparison. For other internal control measures in relation to pricing, please refer to the section headed "Internal Control Measures in Relation to Pricing" on pages 16 to 17 of this circular.

Condition precedent for the Supplemental EV Agreement

Completion of the Supplemental EV Agreement is conditional upon the Company having complied with the requirements of the Listing Rules with regard to continuing connected transactions (including the approval of the Independent Shareholders at the EGM). If the above condition has not been fulfilled on or before 31 December 2016 (or such later date as the parties may agree in writing), the Supplemental EV Agreement will lapse and all the obligations and liabilities of the parties to the Supplemental EV Agreement will cease and terminate.

LETTER FROM THE BOARD

Proposed Annual Caps (EV)

The table below sets out the historical transaction amount for the nine months ended 30 September 2016 under the Existing EV Agreement, the original annual caps announced on 13 November 2015 under the Existing EV Agreement, and the Proposed Annual Caps (EV) for the three years ending 31 December 2016, 2017 and 2018:

	Historical transaction amount for the nine months ended 30 September 2016 (Unaudited) RMB'000	Proposed Annual Caps (EV) for the year ending 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
Sale of CBUs (Electric Vehicles) from the Group to the Geely Holding Group	978,587	2,254,000	5,463,020	9,487,180
Original annual cap amounts for the three financial years ending 31 December 2018 announced on 13 November 2015		1,000,000	2,000,000	4,000,000

Due to better-than-expected sales performance of the Group's electric vehicles, the Company has requested for a revision of sales budget from the PRC sales department since August 2016. Upon receipt of the revised sales budget for the Group's electric and new energy vehicles in September 2016, it is shown that there will be a significant increment of the sales orders in the last quarter of 2016 and therefore, the Group has suspended its sale of CBUs (Electric Vehicles) to the Geely Holding Group since the end of September 2016 to avoid exceeding the original annual cap of RMB1 billion for the year ending 31 December 2016, and will resume such sale after obtaining the Independent Shareholders' approval on the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) at the EGM.

Basis of determination of the Proposed Annual Caps (EV)

The Proposed Annual Caps (EV) have been determined by the Directors by reference to (i) the anticipated growth in sales of the existing model; (ii) the launch of new models in the coming years, which was not factored in when the original annual caps under the Existing EV Agreement was determined; and (iii) the projected selling price per electric and new energy vehicle to end customers, which are expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

LETTER FROM THE BOARD

The Proposed Annual Cap (EV) for the year ending 31 December 2016 amounts to approximately RMB2.3 billion, which represents an approximately 125.4% from the original annual cap of RMB1 billion. Such significant increase was due to the electric version of the “EC7” model achieving much better than expected sales performance during 2016. Up until 30 September 2016, its actual sales volume has already exceeded the original budgeted sales volume for the entire year 2016 when the original annual caps were determined. Its actual selling price was not as high as originally budgeted though as the PRC government only included the electric version “EC7” of the model in the list of vehicles eligible for subsidies during the latter part of 2015 and therefore the subsidy amount was not yet deducted from the selling price when the annual caps were originally determined under the Existing EV Agreement. The release of the aforementioned updated list of vehicles eligible for subsidies during the latter part of 2015 meant that the “EC7” model was able to be sold at a lower price in 2016 as compared to what was originally budgeted in 2015, and the fact that the annual cap for the year ending 31 December 2016 is still close to being fully utilised (despite the actual lower selling price) means that the actual sales volume of the “EC7” model has exceeded the original budgeted sales volume materially in 2016. The electric version of the “EC7” model is expected to continue to achieve positive sales performance for the rest of the year 2016, and the Company believes it is vital for the annual cap for 2016 to be revised upward to cater for such positive sales performance of the “EC7” model.

The Group will continue to leverage on CEVT (“**China Euro Vehicle Technology AB**”) and Volvo Car’s leading technologies on new energy vehicles to speed up its products offering on new energy vehicles, starting from pure electric vehicles (“**EV**”), followed by gradual transition into Plug-in Hybrids (“**PHEVs**”) and Hybrid Electric Vehicles (“**HEVs**”).

In addition to the continued positive sales performance expected to be contributed by the electric version of the “EC7” model for the two years ending 31 December 2017 and 2018, which is one of the key reasons behind the Proposed Annual Caps (EV) representing over 100% increase from the original annual caps, the Group is also expecting to launch 1 completely new model of EVs and 2 new models of PHEVs in 2017. In 2018, it is expected that the Group will launch another 2 completely new models of EVs and 1 completely new model of PHEVs. By 2018, it is expected that together with the electric version of “EC7” model, there will be 7 models of electric and new energy vehicles offered by the Group in the market. Based on the Group’s sales projection, approximately 64% and 38% of the sales volume for electric and new energy vehicles in 2017 and 2018 respectively is expected to be attributable to the “EC7” model whilst the rest will be attributable to 6 new models.

The projected sales of the electric and new energy vehicles to be launched in 2017 and 2018 are based on i) the Group’s business plan for 2017 and 2018; ii) the products and price ranges of similar models available in the market; iii) the sales volume of similar models in the market; iv) the historical sales performance of the Group’s electric version of “EC7” model; v) the manufacturing capacity of the Group for electric and new energy vehicles; and vi) the Group’s dedication to becoming one of the industry leaders on new energy vehicle technologies. The Company did not plan on the launch of these new models when the original annual caps under the Existing EV Agreement were determined, and these new energy vehicle models are expected to contribute materially to the Proposed Annual Caps (EV) for the two years ending 31 December 2017 and 2018.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps (EV) 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.

(2) Revised Annual Caps (Services Agreement) for the transactions contemplated under the Services Agreement

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. Reference is also made to the Company's announcement dated 13 November 2015 in relation to the original annual caps for the three years ending 31 December 2016, 2017 and 2018 under the Services Agreement.

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 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.

In view of the better-than-expected demand for the Group's products, the Board expects that the original annual caps for the sale of CKDs and purchase of CBUs contemplated under the Services Agreement for the three years ending 31 December 2018 will not be sufficient to meet the Company's requirements. Accordingly, the Board approved to revise upward the annual caps for the three years ending 31 December 2018 for the sale of CKDs and purchase of CBUs contemplated under the Services Agreement. Save for the Revised Annual Caps (Services Agreement), other terms of the Services Agreement remain unchanged.

The information below sets out, among others, the proposed revised annual caps for the sale of CKDs and purchase of CBUs under the Services Agreement for the three years ending 31 December 2018:

Date:	27 November 2009
Parties:	The Company; and Geely Holding

LETTER FROM THE BOARD

Geely Holding is an associate of Mr. Li and 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 42.73% interest in the issued share capital of the Company as at the Latest Practicable Date.

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 the 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. Since the commencement of the Services Agreement and up to the Latest Practicable Date, the Geely Holding Group has not requested for such additional services from the Group.

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.

LETTER FROM THE BOARD

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 25% 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 include the relevant salary, staff training, utilities expenses 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 when the Group purchased the Sedan Tool Kits. After the Geely Holding Group performs final assembly on the CKDs and Sedan Tool Kits into the CBUs, the Geely Holding Group will proceed with payment of the PRC consumption tax on the CBUs. After payment of the PRC consumption tax, the CBUs (which consist of the CKDs and the Sedan Tool Kits) will be sold back to the Group for distribution to the end customers.

Payment term:

All transactions contemplated in the Services Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product/service. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.

LETTER FROM THE BOARD

Historical transaction amount and proposed annual caps

The table below sets out the historical transaction amounts for the nine months ended 30 September 2016, and the proposed revised annual caps for the sale of CKDs pursuant to the Services Agreement for the three years ending 31 December 2018. The annual caps for the sale of Sedan Tool Kits for each of the three years ending 31 December 2016, 2017 and 2018 pursuant to the Services Agreement will remain unchanged:

	Historical transaction amount for the nine months ended 30 September 2016	Proposed annual caps for the year ending 31 December		
	(Unaudited)	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of CKDs from the Group to the Geely Holding Group	27,927,141	54,367,457	78,909,319	100,974,729
Original annual caps for the three financial years ending 31 December 2018 announced on 13 November 2015		43,976,763	62,860,126	83,768,317

Basis of determination of the proposed annual caps

The Revised Annual Caps (Services Agreement) above for the purchase of CKDs by the Geely Holding Group from the Group has been determined by the Directors by reference to (i) the better-than-expected sales performance, in particular the Group's monthly sales of sedan in September 2016 reaching a then record high of 76,544 units as announced by the Company on 11 October 2016 and in October 2016 reaching another record high of 96,158 units as announced by the Company on 2 November 2016; (ii) the strong sales orders expected to be received for the remaining period of year 2016; (iii) the anticipated units of vehicle to be sold based on the sales budget of the Group for the two years ending 31 December 2017 and 2018, with sales volume for the year ending 31 December 2017 representing approximately 24% increase from the year ending 31 December 2016, and sales volume for the year ending 31 December 2018 representing approximately 22% increase from the year ending 31 December 2017; and (iv) the projected average selling price per vehicle to end customers, based on the latest selling price of the vehicles, and is expected to remain relatively stable throughout 2017 and 2018. With regard to the aforementioned strong sales orders expected to be received for the remaining period of year 2016, the Company would like to highlight that it is the normal practice for all distributors to submit annual purchase forecasts before the commencement of each year and then at approximately the start of each quarter, revise such forecasts for the coming quarter according to the prevailing business and economic conditions. Based on the aforementioned forecasts provided by distributors and historical track record of distributors

LETTER FROM THE BOARD

normally meeting these forecasts, as well as the strong sales performance in September and October 2016, the management of the Company is confident that strong sales orders will continue to be received for the rest of year 2016 from distributors across the PRC.

- (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), including staff costs and office expenses of the procurement subsidiary under the Geely Holding Group, 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 Company has the right to choose an independent third party to provide these services if such party can provide comparable services on pricing terms more favourable than those offered by the Geely Holding Group pursuant to the Services Agreement. Since the commencement of the Services Agreement and up to the Latest Practicable Date, no such process manufacturing services have been provided by independent third parties to the Group.

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.

LETTER FROM THE BOARD

Payment term: All transactions contemplated in the Services Agreement are satisfied in cash. A credit period of 90 days are given after delivery of product/service. Such credit period was determined on normal commercial terms and in the ordinary course of business of the Company.

Historical transaction amount and proposed annual caps

The table below sets out the historical transaction amounts for the nine months ended 30 September 2016, and the proposed revised annual caps for the purchase of CBUs pursuant to the Services Agreement for the three years ending 31 December 2018. The annual caps for the purchase of 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 will remain unchanged:

	Historical transaction amount for the nine months ended 30 September 2016 (Unaudited) RMB'000	Proposed annual caps for the year ending 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of CBUs by the Group from the Geely Holding Group	28,554,665	55,665,152	80,575,051	102,574,303
Original annual caps for the three financial years ending 31 December 2018 announced on 13 November 2015		47,050,290	67,342,835	89,239,305

Basis of determination of the proposed annual caps

The Revised Annual Caps (Services Agreement) above for the purchase of CBUs by the Group from the Geely Holding Group has been determined by the Directors by reference to (i) the better-than-expected sales performance, in particular the Group's monthly sales of sedan in September 2016 reaching a then record high of 76,544 units as announced by the Company on 11 October 2016 and in October 2016 reaching another record high of 96,158 units as announced by the Company on 2 November 2016; (ii) the strong sales orders expected to be received for the remaining period of year 2016; (iii) the anticipated units of vehicle to be sold based on the sales budget of the Group for the two years ending 31 December 2017 and 2018, with sales volume for the year ending 31 December 2017 representing approximately 24% increase from the year ending 31 December 2016, and sales volume for the year ending 31 December 2018 representing approximately 22% increase from the year ending 31 December 2017; and (iv) the projected average selling price per vehicle to end customers, based on the latest selling price of the vehicles, and is expected to remain relatively stable throughout 2017

LETTER FROM THE BOARD

and 2018. With regard to the aforementioned strong sales orders expected to be received for the remaining period of year 2016, the Company would like to highlight that it is the normal practice for all distributors to submit annual purchase forecasts before the commencement of each year and then at approximately the start of each quarter, revise such forecasts for the coming quarter according to the prevailing business and economic conditions. Based on the aforementioned forecasts provided by distributors and historical track record of distributors normally meeting these forecasts, as well as the strong sales performance in September and October 2016, the management of the Company is confident that strong sales orders will continue to be received for the rest of year 2016 from distributors across the PRC.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING

In order to ensure that the aforesaid pricing basis for the Existing EV Agreement and the Supplemental EV Agreement, and the Services Agreement are adhered to, the Company will continue to adopt the following internal control measures:

(1) The Existing EV Agreement and the Supplemental EV Agreement

The Group will monitor the expected selling price of electric and new energy vehicles and relevant cost items, which mainly include distribution costs, to ensure the fairness of the selling price of CBUs (Electric Vehicles). The Group maintains a database, which is updated monthly, to store all the aforesaid pricing and cost information. Such database allows the sales department of the Group to keep up-to-date records of the unit prices of products sold by the Group so that its sales teams can timely obtain the relevant pricing information as the basis to determine the price range for the CBUs (Electric Vehicles) to be sold to Geely Holding Group. The Group also has a designated market research team to keep track of selling prices of similar electric vehicles in the market for competing brands through public available information on a quarterly basis to ensure CBUs (Electric Vehicles) are being sold at prices that are comparable to the market and share their findings with the sales teams and finance department accordingly. The sales and finance departments will check the information provided by the market research team to ensure reasonableness with regard to the comparables selected by the market research team. If it is required to revise the selling price of electric vehicles, the sales and finance departments will hold a meeting to confirm and revise the selling price with reference to the market. The finance department of the Group will also ensure the relevant continuing connected transactions are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interest of the Company and the Shareholders as a whole. Moreover, the transactions contemplated under the Existing EV Agreement and the Supplemental EV Agreement will be supervised and monitored by the Group's general managers in charge to ensure both agreements are conducted on normal commercial terms, in the ordinary course of business 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 the Existing EV Agreement and the Supplemental EV Agreement, the internal audit department of the Group will conduct assessment at least annually (or more frequently if it is determined necessary) 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

LETTER FROM THE BOARD

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 agreements 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.

(2) The 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, in accordance with internal procedures, the Group will monitor at least annually (or more frequently if it is determined necessary) the 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. Such monitoring is done by reviewing cost and expense reports generated by the Group's accounting system and staying updated with applicable tax rates and types in the PRC. All the aforementioned costs and expenses are deducted from the expected selling price of sedans to arrive at the selling price of CKDs. In practice, such monitoring is normally done on a quarterly basis. The Group and the Geely Holding Group will negotiate at least annually (or more frequently if it is determined necessary) 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, in accordance with internal procedures, the Group will keep track of the expected selling price of sedans and relevant cost items at least annually (or more frequently if it is determined necessary), which mainly include distribution costs, to ensure the fairness of the purchase price of CBUs. In practice, such monitoring is normally done on a quarterly basis. 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 negotiate at least annually (or more frequently if it is determined necessary) 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.

In relation to the aforesaid internal control measures for the Services Agreement, the internal audit department of the Group will 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

LETTER FROM THE BOARD

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.

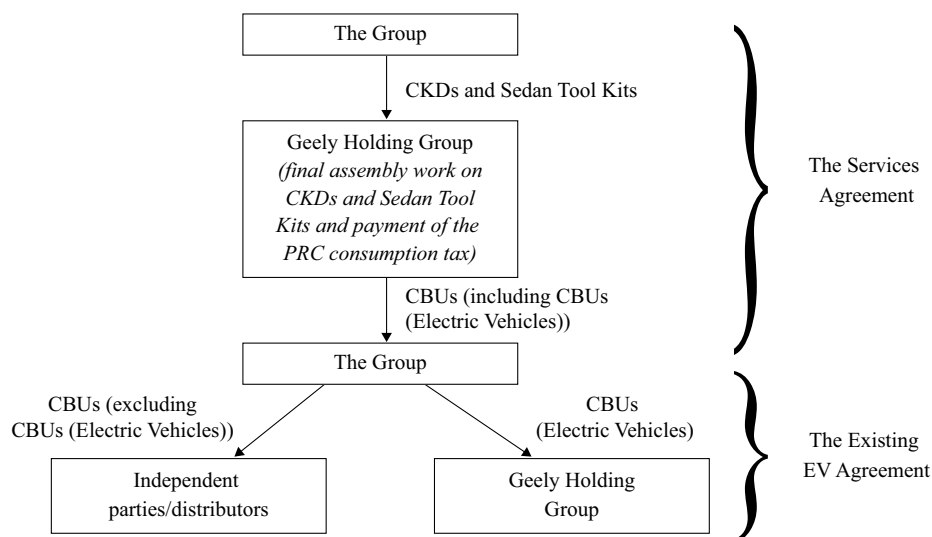
INFORMATION ON THE PARTIES

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 NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

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



The Existing EV Agreement and the Supplemental EV Agreement

With the increasing public awareness of environmental protection 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 medium to high-end new energy vehicles market in the PRC, and hence, the Group started to commence production of electric version of the “EC7” model in 2015. With the electric version of the “EC7” model being launched to the market in 2016 in the PRC and the positive sales results this model was achieved within a short period of time in the

LETTER FROM THE BOARD

market, the Group has decided to develop and launch other new energy vehicle models in the coming years. As such, it is expected that the annual caps under the Existing EV Agreement will not be sufficient to cater for such anticipated growth in sales in the coming years.

The Group sells these vehicles through the Geely Holding Group as only certain subsidiaries of the Geely Holding Group are eligible to obtain the PRC government subsidies for the sale of electric and new energy vehicles. Hence, the sale of CBUs (Electric Vehicles) from the Group to the Geely Holding Group under the Existing EV Agreement and the Supplemental EV Agreement will facilitate the Group's sale of electric and new energy vehicles in the PRC. The Directors (including the independent non-executive Directors) consider that the above continuing connected transactions contemplated under the Existing EV Agreement and the Supplemental EV Agreement are beneficial to the Group as it would ensure a stable demand for the Company's products.

The Revised Annual Caps (Services Agreement)

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 for a term of 10 years from 1 January 2010 to 31 December 2020. 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 above arrangement will ensure smooth operation of the Group, as the services of the Geely Holding Group would help facilitate payment of the PRC consumption tax.

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. During the year, the Group has launched 4 new models namely "Geely Boyue" (吉利博越), "Emgrand GS" (帝豪GS), "Vision SUV" (远景SUV) and "Emgrand GL" (帝豪GL), all of which have achieved better-than-expected sales performance.

During the month of October 2016, the sales volume of "New Emgrand" was 25,015 units, an increase of about 25% from the same period last year. The sales volume of "Vision" sedan was 15,721 units in the month of October 2016, up about 14% year-on-year. The Group's "Geely GC9" (吉利博瑞), its B-segment sedan model, achieved a sales volume of 4,938 units in the month of October 2016. The sales volume of all the Group's new models launched in 2016 achieved record levels in October 2016. The "Geely Boyue" (吉利博越), its newest SUV model, recorded a sales volume of 16,779 units in the month of October 2016. The "Emgrand GS" (帝豪GS), its first crossover SUV model, recorded a sales volume of 10,028 units in the month of October 2016. The "Vision SUV" (远景SUV), its new SUV model, recorded a sales volume of 10,867 units in the month of October 2016. The "Emgrand GL" (帝豪GL), its new generation of A+ segment sedan model, recorded a sales volume of 7,050 units in the month of October 2016.

As stated in the Company's announcement dated 11 October 2016, the Board of the Company has revised upward the Group's sales volume target from 660,000 units by around 6% to 700,000 units, which is up around 37% from year 2015.

LETTER FROM THE BOARD

It is expected that the strong sales performance in the domestic market, together with the expansion for the Group's overall manufacturing capacity upon acquisitions of the Baoji and Shanxi manufacturing plants for the production of "Emgrand GS" (帝豪GS) and "Geely Boyue" (吉利博越) models, would enable the Group to achieve a higher sales volume target in year 2016. Accordingly, the Directors estimate the sale of CKDs and the purchase of CBUs for the three years ending 31 December 2018 will exceed the original approved annual caps for the three years ending 31 December 2018 under the Services Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Non-exempted Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 42.73% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Non-exempted Continuing Connected Transactions constitutes continuing connected transactions for the Company and is subject to re-compliance with the requirements of the Listing Rules.

As the applicable percentage ratios of the Proposed Annual Caps (EV) for the three years ending 31 December 2016, 2017 and 2018 for the transactions contemplated under the Supplemental EV Agreement are expected to be higher than 5% on an annual basis, the Supplemental EV Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps (EV)) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Revised Annual Caps (Services Agreement) are expected to be higher than 5% on an annual basis, the Revised Annual Caps (Services Agreement) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Non-exempted Continuing Connected Transactions by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the transactions contemplated under the Non-exempted Continuing Connected Transactions and the adoption of Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement).

Pursuant to Rule 14A.36 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 holding 3,783,099,000 Shares (representing approximately 42.73% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui,

LETTER FROM THE BOARD

Daniel and his associates together holding 3,000,000 Shares (representing approximately 0.03% of the total 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 total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement). Save as disclosed above, no other Shareholders are required to abstain from voting to approve the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) at the EGM. To the best of the Directors' knowledge and belief, Mr. Li Xing Xing, the son of Mr. Li, had no direct equity interests in the Company as at the Latest Practicable Date.

THE EGM

The EGM will be convened to consider and approve the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement). A notice to convene the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Monday, 28 November 2016 at 10:00 a.m.

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

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Non-exempted Continuing Connected Transactions are fair and reasonable and in the interest of the Company and Independent Shareholders and the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions has been set out on pages 23 to 24 of this circular. Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) and the letter of advice from Quam Capital containing its advice in respect of the terms of the Non-exempted Continuing Connected Transactions has been set out on pages 25 to 44 of this circular.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to Independent Shareholders set out on pages 23 to 24 of this circular and the letter of advice from Quam Capital on pages 25 to 44 regarding the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) and the principal factors and reasons taken into consideration in arriving at the advice.

The Directors (including the independent non-executive Directors) consider that the terms of Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and are 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 ordinary resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions. You are advised to read the letter from the Independent Board Committee and the letter from Quam Capital mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from Quam Capital, which are respectively set out on pages 23 to 24 and pages 25 to 44 of this circular. Additional information is also set out in the Appendix I to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to Independent Shareholders in relation to the Non-exempted Continuing Connected Transactions prepared for the purpose of incorporation in this circular.

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

11 November 2016

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS AND NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 11 November 2016 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Non-exempted Continuing Connected Transactions. Quam Capital has been appointed to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 25 to 44 of this circular. Your attention is also drawn to the “Letter from the Board” in this circular and the additional information set out in the Appendix I thereto.

Having taken into account the advice of Quam Capital, in particular factors, reasons and recommendation as set out in its letter, we consider that: (i) the Non-exempted Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the entering into of the Supplemental EV Agreement and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the adoption of the Proposed Annual Caps (EV) thereunder and the adoption of the Revised Annual Caps (Services Agreement) are in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,

For and behalf of the Independent Board Committee of

Geely Automobile Holdings Limited

Mr. Lee Cheuk Yin, Dannis

Mr. Yeung Sau Hung, Alex

Mr. An Qing Heng

Mr. Wang Yang

Independent non-executive Directors

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of incorporation into this circular.



11 November 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

REVISION OF ANNUAL CAPS AND NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental EV Agreement, the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 11 November 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless defined otherwise in this letter.

By virtue of the fact that Geely Holding is wholly-owned by Mr. Li, who is an executive Director and a substantial Shareholder holding approximately 42.73% of the issued share capital of the Company as at the Latest Practicable Date, and his associate, Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules. Accordingly, the respective transactions contemplated under the Supplemental EV Agreement and the Services Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. As such, the Supplemental EV Agreement, the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement) are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang, each being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the adoption of the Revised Annual Caps (Services Agreement) are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In our capacity as the Independent Financial Adviser, our role is to provide an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the entering into of the Supplemental EV Agreement is conducted in the ordinary and usual course of business of the Group, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent

LETTER FROM QUAM CAPITAL

Shareholders are concerned; and (ii) the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, Quam Capital acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to certain continuing connected transactions (details of which were set out in the circular of the Company dated 14 December 2015 (the “**2015 Circular**”). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as 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 they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

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

LETTER FROM QUAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) and the Revised Annual Caps (Services Agreement) are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

A. THE SUPPLEMENTAL EV AGREEMENT

1. Background to and reasons for the entering of the Supplemental EV Agreement

Reference is made to the 2015 Circular in relation to the Existing EV Agreement.

On 13 November 2015, the Company entered into the Existing EV Agreement with Geely Holding whereby the Group agreed to sell CBUs (Electric Vehicles) to the Geely Holding Group (the “**EV Transaction**”) from 1 January 2016 to 31 December 2018. As the Directors expect that the maximum transaction amounts under the Existing EV Agreement for the three years ending 31 December 2016, 2017 and 2018 will exceed the existing annual caps (the “**Existing Annual Caps (EV)**”) as approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2015 (the “**2015 EGM**”), the Company and Geely Holding entered into the Supplemental EV Agreement on 5 October 2016 pursuant to which the parties agreed to increase the annual caps for the EV Transaction for each of the three years ending 31 December 2016, 2017 and 2018. Save for the increase in the Proposed Annual Caps (EV) and the update of the condition precedent, all other terms of the Existing EV Agreement remain unchanged.

(i) Principal business activities and business expansion of the Group

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

As set out in the Letter from the Board, in view of the increasing public awareness of environmental protection relating to fuel saving and vehicle emission reduction, major vehicles manufacturers are actively developing and promoting electric vehicles and hybrid vehicles. The Board has long recognised the development potential in the medium to high-end new energy vehicles market in the PRC. In 2015, the Group commenced the production of its electric version of the “EC7” model which has achieved positive sales results within a short period of time in the PRC market since its launch in February 2016. As disclosed in the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), the sales volume of the electric version of “EC7” model had grown steadily since the beginning of 2016, reaching a monthly sales volume of over 1,500 units by June 2016. It is noted that up to 30 September 2016, the electric version of the “EC7” model’s actual sales volume has already exceeded the original budgeted sales volume for the entire year of 2016 when the Existing Annual Caps (EV) were determined. The electric version of the “EC7” model is expected to continue to achieve positive sales performance for the rest of the year 2016 and the two years ending 31 December 2018. Based on our review of the sales projection of the electric version

LETTER FROM QUAM CAPITAL

of the “EC7” model to be sold to the Geely Holding Group for the three months ending 31 December 2016, we noted that the average monthly units of the confirmed purchase orders from the Geely Holding Group for the three months ending 31 December 2016 are significantly higher than the highest monthly sales volume of over 1,500 units for the first nine months of 2016.

For the nine months ended 30 September 2016, the historical transaction amount of the EV Transaction was approximately RMB978,587,000, representing approximately 97.9% of the existing annual cap of RMB1,000,000,000 for the year ending 31 December 2016 as approved by the then independent Shareholders at the 2015 EGM. Nevertheless, as at the Latest Practicable Date, the Group had suspended the EV Transaction to avoid exceeding the aforesaid existing annual cap of for the year ending 31 December 2016 regardless of the aforementioned confirmed purchase orders on hand. The Company confirmed that the sales of the electric version of the “EC7” model under such confirmed purchase orders will be completed and recognised upon the Company having obtained Independent Shareholders’ approval of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) at the EGM.

(ii) Growth strategy for the new energy vehicles business of the Group

As stated in the 2016 Interim Report, on 1 June 2016, the Group agreed to acquire the entire registered capital of 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited*) and 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited*) from the Geely Holding Group. Such acquisitions being approved by the then independent Shareholders on 8 August 2016 has helped expand the Group’s overall manufacturing capacity.

According to the 2016 Interim Report, the Group announced its new energy vehicle strategy named “Blue Geely Initiative” in November 2015 which is a 5-year campaign and programme whereby the Group would continue its investments in the area of new energy vehicle technologies. In particular, as stated in the Letter from the Board, the Group will continue to leverage on China Euro Vehicle Technology AB (“CEVT”) and Volvo Car’s leading technologies on new energy vehicles to speed up its products offering on new energy vehicles, starting from pure electric vehicles (“EVs”), followed by gradual transition into plug-in hybrid vehicles and hybrid electric vehicles (“PHEVs”).

Given the aforesaid positive sales performance of the electric version of the “EC7” model for the nine months ended 30 September 2016, the Group has decided to develop and launch other new energy vehicle models, which are not expected to compete with the electric version of the “EC7” model, catering for the SUV market and different customer purchasing preference on product specifications. As stated in the Letter from the Board, the Group is expecting to launch a completely new model of EVs and two new models of PHEVs in 2017 and another two completely new models of EVs and a completely new model of PHEVs in 2018 (collectively, the “**2017 & 2018 New Models**”) which the Company had no plan on the launch of the 2017 & 2018 New Models when the Existing Annual Caps (EV) were determined, and the 2017 & 2018 New Models are expected to contribute materially to the

LETTER FROM QUAM CAPITAL

Proposed Annual Caps (EV) for the two years ending 31 December 2018. Based on the Group's sales projection, approximately 64% and 38% of the sales volume for electric and new energy vehicles in 2017 and 2018 respectively is expected to be attributable to the "EC7" model whilst the remaining portion will be attributable to the sales of the 2017 & 2018 New Models.

The Company confirmed that the current electric version of the "EC7" model will continue to be sold in the PRC after the launch of the 2017 & 2018 New Models while the launch of the 2017 & 2018 New Models is expected to capture the increasing demand for electric and new energy vehicles in the PRC. As such, the Company expected that the existing annual caps for the two years ending 31 December 2017 and 2018 will not be sufficient to cater for the anticipated growth in the EV Transaction during the relevant years. In light of the above and the utilisation rate of the existing annual cap for the year ending 31 December 2016, the Supplemental EV Agreement was entered into between the Company and Geely Holding on 5 October 2016 whereby the parties agreed to revise the Existing Annual Caps (EV) upward and adopt the Proposed Annual Caps (EV). As stated in the Letter from the Board, the Group will resume the EV Transaction after obtaining Independent Shareholders' approval of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) at the EGM.

(iii) Principal business activities of the Geely Holding Group

The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses. As set out in the Letter from the Board, the Group sells its electric and new energy vehicles through the Geely Holding Group as only certain subsidiaries of Geely Holding Group are eligible to obtain the PRC government subsidies for the sale of electric and new energy vehicles.

As advised by the Company, to encourage and promote the use and development of electric and new energy vehicles in the PRC, the PRC government has introduced a grant towards the sale of electric and new energy vehicles in the PRC (the "**PRC Government Grant**") which is generally calculated on a per-unit basis based on the number of electric vehicles sold by the PRC corporates. The supporting targets of the PRC Government Grant are the end customers of electric and new energy vehicles in the PRC. Accordingly, the Existing EV Agreement and the Supplemental EV Agreement are considered to be essential for facilitating the Group's sale of electric and new energy vehicles in the PRC given that the PRC Government Grant will effectively lower end customers' purchase price of the Group's electric and new energy vehicles as compared to selling the electric and new energy vehicles directly by the Group in the PRC without the PRC Government Grant.

The Company confirmed that none of the members of the Group is in possession of the automobile catalogue issued by the National Development Reform and Commission ("**NDRC**") in the PRC, which is required to facilitate to obtain the PRC Government Grant, and therefore the Group is currently not qualified to obtain the PRC Government Grant; certain subsidiaries of the Geely Holding Group, on the other hand, have possessed the aforesaid automobile catalogue and accordingly are already eligible for the PRC government Grant. As such, in

LETTER FROM QUAM CAPITAL

order to enable the Group to gain competitive edge through the benefit of the PRC Government Grant, it is the current intention of the Group to continue to sell its CBU's (Electric Vehicles) through the relevant subsidiaries of the Geely Holding Group in the PRC.

(iv) Overview of demand of electric and new energy vehicles in the PRC

Set out below are the number of electric and new energy vehicles sold in the PRC for each of the five years ended 31 December 2015 and the nine months ended 30 September 2016:

	Year					Nine months ended
	2011	2012	2013	2014	2015	30 September 2016
Units of vehicles sold	8,159	12,791	17,642	74,763	331,092	289,000

Source: Website of the China Association of Automobile Manufacturers (the "CAAM")

According to the statistics data available from the CAAM, which was founded with the approval of the Ministry of Civil Affairs of the PRC, the number of electric and new energy vehicles sold in the PRC increased from 8,159 units in 2011 to 331,092 units in 2015, representing a compound annual growth rate of approximately 152.4%. The number of electric and new energy vehicles sold in the PRC was approximately 289,000 units for the first nine months of 2016.

Based on our discussion with the management of the Company regarding the principal factors driving the growth of the PRC new energy vehicles market, we noted that the continuous growth in demand for electric and new energy vehicles principally attributable to: (1) the increasing public awareness of environmental protection relating to fuel saving and vehicle emission reduction; and (2) the PRC government policies and plans relating to saving fuel and reducing vehicle emission. To support its commitment to encourage the development of the electric and new energy vehicles market, the PRC government has implemented a series of policies in promoting electric and new energy vehicles (the "PRC Policies"), including (i) the implementation of 《節能與新能源汽車產業發展規劃(2012-2020)》 (The Development Plan of Energy Saving and New Energy Vehicles Industry (2012-2020)*) by the State Council of the PRC to promote and develop the domestic energy-saving and new energy vehicle industry with a sales target of five million new energy vehicles to be sold by 2020; (ii) the PRC government announced plans in September 2015 to build a nationwide charging-station network to fulfil the power demand of five million electric vehicles by 2020; (iii) a subsidy scheme introduced in 2013 by the central government in respect of purchase of all-electric passenger vehicles to promote the production and use of electric vehicles. The PRC government reaffirmed their priority to promote new energy vehicles in its 13th Five-Year Plan (2016-2020) as a continuous support from the PRC government to promote new energy vehicle technology. The Central Committee of the Communist Party of China approved the document that emphasises boosting technological innovations in the manufacturing of new energy

LETTER FROM QUAM CAPITAL

vehicles and promoting the use of electric cars, plug-in hybrids and fuel cell vehicles, included in its latest Five-Year Plan; and (iv) in April 2016, the Traffic Management Bureau under the Ministry of Public Security of the PRC announced the introduction of new green license plates to identify new energy vehicles with an aim to facilitate policies enforcement of the preferential policies to help, among others, cut emissions. It is evident that the PRC government has been making a concerted effort to stimulate the development and use of electric and new energy vehicles in the PRC and sustain the continuous growth in demand for electric and new energy vehicles. We believe that the milestones in the PRC government's support for the electric and new energy vehicles market has clearly demonstrated the PRC government's dedication to the overall market development. Further, the growing trend of the sales of electric and new energy vehicles in the PRC during the five years ended 31 December 2015 and the nine months ended 30 September 2016 has reinforced our belief that the PRC Policies will continue to have positive impact on the overall development of the electric and new energy vehicles market.

The Company confirmed that (i) the Geely Holding Group's business activities in respect of the production and sales of electric and new energy vehicles in the PRC fall within the scope of the PRC Policies; (ii) the Geely Holding Group is eligible for the PRC Policies; and (iii) the Group's existing electric version of the "EC7" model is and the 2017 & 2018 New Models are expected to be qualified for the PRC Government Grant.

Given the above and after principally taking into account (i) the growth potential in the demand for electric and new energy vehicles in the PRC driven by the continuous support of the PRC government to promote the production and use of electric and new energy vehicles; (ii) the proposed expansion of product range resulting from the launch of the 2017 & 2018 New Models; and (iii) the fact that the sale of the Group's electric and new energy vehicles in the PRC through certain subsidiaries of the Geely Holding Group will continue to enable the Group to gain competitive edge through the benefit of the PRC Government Grant, it is reasonable to expect that the PRC Policies will help the Group achieve significant growth in its sales of electric and new energy vehicles in the coming years up to the end of 2018.

(v) ***Conclusion***

Based on the foregoing, we concur with the Directors' view that the entering into of the Supplemental EV Agreement together with the adoption of the Proposed Annual Caps (EV) is conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole in that respect.

2. Principal terms of the Supplemental EV Agreement

The Company and Geely Holding entered into the Existing EV Agreement on 13 November 2015, details of which are set out in the 2015 Circular. The Existing EV Agreement was approved by the then independent Shareholders on 30 December 2015. The Supplemental EV Agreement is a supplemental agreement to the Existing EV Agreement and the terms stipulated therein are consistent with those of the Existing EV Agreement, save for the condition precedent and the annual caps for the three years ending 31 December 2016, 2017 and 2018 being revised under the Supplemental EV

LETTER FROM QUAM CAPITAL

Agreement. Accordingly, upon completion of the Supplemental EV Agreement, the EV Transaction for the remaining period ending 31 December 2018 will be subject to the terms and conditions of the Existing EV Agreement and the Supplemental EV Agreement, respectively. Details of the revision of the annual caps are set out in the sub-section headed “The Proposed Annual Caps (EV)” below.

Completion of the Supplemental EV Agreement is conditional upon the Company having complied with the requirements of the Listing Rules with regard to continuing connected transactions (including the approval of the Independent Shareholders at the EGM). If the above condition has not been fulfilled on or before 31 December 2016 (or such later date as the parties may agree in writing), the Supplemental EV Agreement will lapse and all the obligations and liabilities of the parties to the Supplemental EV Agreement will cease and terminate.

Pursuant to the Supplemental EV Agreement, the pricing basis for determining the selling prices of CBUs (Electric Vehicles) remains unchanged, details of which are set out in the Letter from the Board.

We noted that the Group has established internal control measures for the purpose of monitoring the execution and implementation of the EV Transaction, including specific monitoring and reporting measures and procedures to ensure compliance with the pricing terms under the Existing EV Agreement and the Supplemental EV Agreement. As stated in the Letter from the Board, the Group will monitor the expected selling price of electric and new energy vehicles and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling price of CBUs (Electric Vehicles). The Group has maintained a database, which is updated monthly, to store all the aforesaid pricing and cost information so that the sales team can timely obtain the relevant pricing information to determine the price range for the CBUs (Electric Vehicles) to be sold to Geely Holding Group at prices that are comparable to the market. The Group has also designated the market research team to keep track of selling prices of similar electric vehicles on a quarterly basis and the sales and finance departments will check the information provided by the market research team to ensure reasonableness with regard to the comparables selected by the market research team. It is also stated that the Group’s finance department and the general managers in charge are responsible for ensuring the EV Transaction is conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and the Independent Shareholders as a whole. Further, in addition to the annual reviews by the independent non-executive Directors and the independent auditors respectively, the internal audit department of the Group will at least annually (or more frequently if it is determined necessary) conduct assessment on the internal control measures for the EV Transaction to ensure the relevant internal control measures have been adhered to and are effective. Based on our review of the Group’s internal control measures for the EV Transaction and discussions with the management of the Company regarding the underlying monitoring and reporting procedures, we have no reasons to doubt the effectiveness of the relevant internal measures to ensure compliance with the pricing terms under the Existing EV Agreement and the Supplemental EV Agreement.

LETTER FROM QUAM CAPITAL

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

- the major terms of the Supplemental EV Agreement, including the pricing basis for determining the selling pricing of CBUs (Electric Vehicles), remain unchanged, save for the revision of the annual caps for the three years ending 31 December 2016, 2017 and 2018 and the update of the condition precedent; and
- the Group has put in place internal control measures to regularly monitor the selling prices of its CBUs (Electric Vehicles) and relevant cost items, which include mainly distribution costs, to ensure the fairness of the selling prices of CBUs (Electric Vehicles),

we are of the view that the terms of the Supplemental EV Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Proposed Annual Caps (EV)

The table below sets out the historical transaction amount of the EV Transaction for the nine months ended 30 September 2016, the Existing Annual Caps (EV) and the Proposed Annual Caps (EV):

	Historical transaction amount for the nine months ended 30 September 2016 (Unaudited) RMB'000	Proposed Annual Caps (EV) for the year ending 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The EV Transaction	978,587	2,254,000	5,463,020	9,487,180
Existing Annual Caps (EV)		1,000,000	2,000,000	4,000,000

(i) *The historical transaction amount of the EV Transaction*

The historical transaction amount of the EV Transaction was approximately RMB978,587,000 for the nine months ended 30 September 2016, representing approximately 97.9% of the existing annual cap for the year ending 31 December 2016. As at the Latest Practicable Date, the Group had suspended the EV Transaction to avoid exceeding the existing annual cap of RMB1,000,000,000 for the year ending 31 December 2016, and will resume the EV Transaction after obtaining Independent Shareholders' approval of the Supplemental EV Agreement (including the Proposed Annual Caps (EV)) at the EGM.

LETTER FROM QUAM CAPITAL

(ii) The bases of determination of the Proposed Annual Caps (EV)

The Proposed Annual Caps (EV) for each of the three years ending 31 December 2016, 2017 and 2018 are RMB2,254,000,000, RMB5,463,020,000 and RMB9,487,180,000, representing increases of approximately 125.4%, 173.2% and 137.2%, respectively, as compared with the Existing Annual Caps (EV) for the respective years. The Company confirmed that such increases are in line with the expected growth of the EV Transaction estimated by the management of the Company for the relevant years.

As stated in the Letter from the Board, the Proposed Annual Caps (EV) were determined by the Directors by reference to (1) the anticipated growth in sales of the existing model; (2) the launch of new models in the coming years, which was not factored in when the Existing Annual Caps (EV) were determined; and (3) the projected selling price per electric and new energy vehicle to end customers, which is expected to remain stable for the three years ending 31 December 2016, 2017 and 2018.

In our assessment of the fairness and reasonableness of the Proposed Annual Caps (EV), we have reviewed the sales projection in respect of the CBUs (Electric Vehicles) for the three months ending 31 December 2016 and the two years ending 31 December 2018 prepared by the Group and also discussed with the management of the Company on the underlying bases and assumptions relating thereto. It is noted that the Directors have principally taken into account (1) the historical transaction amount of the EV Transaction for the nine months ended 30 September 2016; (2) the confirmed purchase orders of the electric version of the “EC7” model from the Geely Holding Group for the three months ending 31 December 2016 which have been included in the revised annual cap for the year ending 31 December 2016 in accordance with the delivery schedule; (3) the electric version of the “EC7” model is expected to continue to achieve positive sales performance for the two years ending 31 December 2018; (4) the increasing demand for electric and new energy vehicles in the PRC; (5) the expected increase in demand for the Group’s CBUs (Electric Vehicles) resulting from the launch of the 2017 & 2018 New Models; (6) the Group’s manufacturing capacity for the production of electric and new energy vehicles; (7) the products, price ranges and sales volume of similar models currently available in the PRC passenger vehicle market as compared to the 2017 and 2018 New Models (the “**Similar Models**”); (8) the average unit selling price of each of the existing electric version of the “EC7” model and the 2017 & 2018 New Models remains stable during the three years ending 31 December 2018; and (9) the Group’s dedication to becoming one of the industry leaders on new energy vehicle technologies.

In assessing the reasonableness of the projected sales of the 2017 & 2018 New Models for the two years ending 31 December 2018, we have obtained and reviewed the list of the Similar Models and discussed with the Company’s management about the selection criteria relating thereto which consist of indigenous brand, cruising range and vehicle dimension. We have also reviewed the respective price ranges and sales volume of the Similar Models provided by the Company. Further, we have, on a best effort basis, made references to, as far as we are aware, the relevant publicly available information on the Similar Models. Based on our review on the aforesaid information and discussions with the Company’s management, we

LETTER FROM QUAM CAPITAL

noted that the respective estimated selling prices and sales volume of the 2017 & 2018 New Models adopted in the Group's sales projection for the two years ending 31 December 2018 are generally in line with the prevailing market prices and sales volume of the Similar Models.

We concur with the Directors' view that it is fair and reasonable and in the interests of the Company and Shareholders as a whole to set the Proposed Annual Caps (EV) at the proposed levels, after taking into consideration the following:

- the existing annual cap in respect of the EV Transaction for the year ending 31 December 2016 was almost fully utilised as at the Latest Practicable Date, leading to suspension of the EV Transaction regardless of the confirmed purchase orders on hand for the three months ending 31 December 2016;
- the electric version of the "EC7" model is the only electric vehicle produced and sold by the Group to the Geely Holding Group in 2016 with actual sales amount of approximately RMB978,587,000 for the nine months ended 30 September 2016 while the Group currently has no intention to launch any new electric and new energy vehicles before the end of 2016;
- the increase in the proposed annual cap for the year ending 31 December 2016 was principally determined by the Company based on the total amount of the aforesaid confirmed purchase orders placed by the Geely Holding Group for the Group's electric version of the "EC7" model for the three months ending 31 December 2016 of approximately RMB1.2 billion, accounting for almost the entire difference of the existing annual cap and the proposed annual cap for the year ending 31 December 2016;
- the Company confirmed that the Group only commenced the bulk sales of the electric version of the "EC7" model in April 2016 while the sale of which is expected to increase by approximately 178.6% from the first six months of 2016 to the second six months of 2016 after taking into account the confirmed purchase orders placed by the Geely Holding Group for the three months ending 31 December 2016, reaching a 6-month sales of approximately RMB1.7 billion which represents an annualised sales of approximately RMB3.4 billion;
- the expected increase in sales volume of the Group's electric and new energy vehicles following the launch of the 2017 & 2018 New Models, which are not expected to constitute direct competition to the electric version of the "EC7" model as they were designed to cater for the SUV market and different customer purchasing preference on product specifications. This would enhance the Group's competitive advantages and market share in the PRC new energy vehicles market;
- the year-on-year increases in the respective revised annual caps for the two years ending 31 December 2017 and 2018 are generally in line with the annualised sales volume of the electric version of the "EC7" model for the year ending 31

LETTER FROM QUAM CAPITAL

December 2016 regardless of the expected launch of three new energy vehicle models in each of 2017 and 2018 which are not expected to compete with the electric version of the “EC7” model;

- the projected monthly sales volume of the electric version of the “EC7” model to be sold to the Geely Holding Group for each of the two years ending 31 December 2017 and 2018 is in line with the estimated average monthly units of the electric version of the “EC7” model derived from the confirmed purchase orders placed by the Geely Holding Group for the three months ending 31 December 2016;
- the upward trend of demand for the Group’s electric version of the “EC7” model in 2016 and the management’s expectation of its positive sales performance to be continued in 2017 and 2018 in view of the sales and marketing campaigns implemented by the Group to catapult the continued sales growth;
- the respective estimated selling prices of the 2017 & 2018 New Models to be sold by the Group for each of the two years ending 31 December 2018 were determined by the management of the Group with reference to the prevailing market prices of the Similar Models;
- the expected growth in the demand for electric and new energy vehicles in the PRC driven by the continuous support of the PRC government to promote new energy vehicle development;
- the Proposed Annual Caps (EV) represent a compound annual growth rate of approximately 105.2% from 2016 to 2018, which is generally in line with the compound annual growth rate of approximately 152.4% for the number of electric and new energy vehicles sold in the PRC from 2011 to 2015;
- the implementation of the “Blue Geely Initiative”, being a 5-year new energy vehicle strategy of the Group to expand its product range by leveraging on CEVT and Volvo Car’s leading technologies on new energy vehicles; and
- the Group has recently expanded its manufacturing capacity and capabilities in support of the proposed expansion of product range in 2017 and 2018 and the anticipated growth in the EV Transaction for the last quarter of 2016 and the two years ending 31 December 2018.

(iii) Conclusion

Based on the factors and reasons discussed above, we are of the view that the Proposed Annual Caps (EV) 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.

LETTER FROM QUAM CAPITAL

B. THE REVISED ANNUAL CAPS (SERVICES AGREEMENT)

1. Background to and reasons for the Revised Annual Caps (Services Agreement)

References are made to the Company's circulars dated 14 December 2009 and 6 December 2012 as well as the 2015 Circular in relation to the Services Agreement and the renewal of annual caps for the Services Agreement.

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 for a term of 10 years from 1 January 2010 to 31 December 2020. As set out in the 2015 Circular, 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 NDRC in the PRC, which is required to facilitate payment of the PRC consumption tax, the above arrangement will ensure smooth operation of the Group, as the services of the Geely Holding Group would help facilitate payment of the PRC consumption tax. The Services Agreement together with the initial annual caps for the transactions contemplated thereunder for each of the three years ended 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 such initial three-year annual caps, the Company renewed the annual caps for the transactions contemplated under the Services Agreement in every subsequent three years up to 31 December 2018 pursuant to Rule 14A.53 of the Listing Rules, being approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 24 December 2012 and the 2015 EGM, respectively. As stated in the Letter from the Board, in view of the better-than-expected demand for the Group's vehicle products, the Board expects that the existing annual caps for the sale of CKDs and purchase of CBUs between the Group and the Geely Holding Group contemplated under the Services Agreement (the "**CKDs Transaction**" and "**CBUs Transaction**", respectively) for the three years ending 31 December 2016, 2017 and 2018 (the "**Existing Annual Caps (Services Agreement)**") will not be sufficient to meet the Company's requirements. Accordingly, the Board approved to revise upward the Existing Annual Caps (Services Agreement) and proposed to adopt the Revised Annual Caps (Services Agreement) pursuant to Rule 14A.54 of the Listing Rules. Save for the increase in the Revised Annual Caps (Services Agreement), all other terms of the Services Agreement remain unchanged.

As set out in the Letter from the Board, the Group has launched four new vehicle models, namely "Geely Boyue" (吉利博越), "Emgrand GS" (帝豪GS), "Vision SUV" (远景SUV) and "Emgrand GL" (帝豪GL) during 2016, all of them had achieved better-than-expected sales performance as at the Latest Practicable Date. The Company confirmed that the Group is expecting to launch three new models in 2017 and another seven new models in 2018 which the Company had no plan on the launch of these new models when the Existing Annual Caps (Services Agreement) were determined, and these new models are expected to contribute materially to the Revised Annual Caps (Services Agreement) for the two years ending 31 December 2018.

LETTER FROM QUAM CAPITAL

According to the 2016 Interim Report, the Group's sales performance in the first half of 2016 exceeded the expectations of the Company, resulting from the continued strong domestic demand for the Group's sedan models like "New Emgrand", "New Vision", "Kingkong" and "Geely GC9" as well as the strong market response to "Geely Boyue" (吉利博越) and "Emgrand GS" (帝豪GS), being the Group's newest SUV model and first crossover SUV model respectively. The Group sold a total of 280,337 units of vehicles for the six months ended 30 June 2016, representing an increase of approximately 11.3% as compared to the same period in 2015. Total revenue of the Group was approximately RMB18,089 million for the six months ended 30 June 2016, representing an increase of approximately 31.0% as compared to the same period in 2015. The Company confirmed that during the month of October 2016, the Group sold a total of approximately 96,158 units of vehicles, which was approximately 105.8% higher than the average of approximately 46,723 units of vehicles sold for the first six months of 2016.

For the nine months ended 30 September 2016, the transaction amounts of the CKDs Transaction and the CBU's Transaction were approximately RMB27,927,141,000 and RMB28,554,665,000 respectively, representing approximately 63.5% and 60.7% of the respective existing annual caps for the year ending 31 December 2016, which was already higher than the respective actual transaction amounts of approximately RMB25,680,051,000 and RMB26,953,499,000 for the full year ended 31 December 2015.

As stated in the Company's announcement dated 11 October 2016, the Board has revised upward the Group's sales volume target of 660,000 units by around 6.1% to 700,000 units for the year ending 31 December 2016, representing an increase of approximately 37.2% from the actual sales volume for the year ended 31 December 2015. The Company confirmed that the aforesaid increased sales volume target was determined after taking into account the expected sale of 419,663 units of vehicles for the second half of 2016, an increase of approximately 49.7% as compared to 280,337 units of vehicles sold for the first six months of 2016. The Company also confirmed that such increase was mainly contributed by (i) the Group's new vehicle models launched in 2016 as described above; and (ii) the expansion of production capacity as a result of the acquisitions of 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited*) and 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited*) from the Geely Holding Group.

LETTER FROM QUAM CAPITAL

2. The Revised Annual Caps (Services Agreement)

The table below sets out the historical transaction amounts of the CKDs Transaction and the CBUs Transaction for the year ended 31 December 2015 and the nine months ended 30 September 2016, the Existing Annual Caps (Services Agreement) announced on 13 November 2015 and the Revised Annual Caps (Services Agreement):

	Historical transaction amounts		Proposed annual caps		
	for the year ended 31 December 2015 <i>(Audited)</i> <i>RMB'000</i>	for the nine months ended 30 September 2016 <i>(Unaudited)</i> <i>RMB'000</i>	for the year ending 31 December		
			2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
CKDs Transaction	25,680,051	27,927,141	54,367,457	78,909,319	100,974,729
Existing annual caps in relation to the CKDs Transaction for the three years ending 31 December 2018			43,976,763	62,860,126	83,768,317
CBUs Transaction	26,953,499	28,554,665	55,665,152	80,575,051	102,574,303
Existing annual caps in relation to the CBUs Transaction for the three years ending 31 December 2018			47,050,290	67,342,835	89,239,305

(i) The historical transaction amounts of the CKDs Transaction and the CBUs Transaction

The historical transaction amounts of the CKDs Transaction and the CBUs Transaction were approximately RMB27,927,141,000 and RMB28,554,665,000 respectively for the nine months ended 30 September 2016, representing approximately 63.5% and 60.7% of the respective existing annual caps for the year ending 31 December 2016 and approximately 108.8% and 105.9% as compared to the respective historical transaction amounts for the year ended 31 December 2015. The Company confirmed that the Group sold a total of 555,199 units of vehicles for the first ten months of 2016, achieving approximately 84.1% of its original full year sales volume target of 660,000 units, which was revised to 700,000 units in the Company's announcement dated 11 October 2016.

LETTER FROM QUAM CAPITAL

As stated in the Letter from the Board, during the month of October 2016, “New Emgrand” achieved a sales volume of 25,015 units which represented an increase of approximately 25% compared to October 2015. The sales volume of “Geely GC9” (吉利博瑞), its B-segment sedan model, and “Vision” sedan were 4,938 units and 15,721 units in the month of October 2016 respectively, the latter of which represented a year-on-year increase of approximately 14%. Set out below is the actual sales volume of the Group’s four new models launched during 2016 for the month of October 2016:

New model	Type	Sales volume for the month of October 2016 Units
Geely Boyue (吉利博越)	SUV	16,779
Emgrand GS (帝豪GS)	Crossover SUV	10,028
Vision SUV (远景SUV)	SUV	10,867
Emgrand GL (帝豪GL)	New generation of A+ segment sedan	7,050 (Note)

Note: The Company advised that a relatively low sales volume of Emgrand GL (帝豪GL) recorded for the month of October 2016 as compared to other new models launched during 2016 was attributable to the fact that the Group only officially launched Emgrand GL (帝豪GL) in late September 2016. The Company confirmed that so far the order book for “Emgrand GL” has been better than its management’s initial forecast.

(ii) The bases of determination of the Revised Annual Caps (Services Agreement)

The revised annual caps of the CKDs Transaction for the three years ending 31 December 2018 of approximately are RMB54,367,457,000, RMB78,909,319,000 and RMB100,974,729,000, respectively, representing increases of approximately 23.6%, 25.5% and 20.5%, respectively, as compared with the existing annual caps for the relevant years. The revised annual caps of the CBUs Transaction for the three years ending 31 December 2018 are approximately RMB55,665,152,000, RMB80,575,051,000 and RMB102,574,303,000, respectively, representing increases of approximately 18.3%, 19.6% and 14.9%, respectively, as compared with the existing annual caps for the relevant years. The Company confirmed that such increases are in line with the expected growth of the CKDs Transaction and the CBUs Transaction estimated by the management of the Company for the relevant years.

As stated in the Letter from the Board, the Revised Annual Caps (Services Agreement) were determined by the Directors by reference to (1) the better-than-expected sales performance, in particular the Group’s monthly sales of sedan in September 2016 reaching a then record high of 76,544 units as announced by the Company on 11 October 2016 and in October 2016 reaching another record high of 96,158 units as announced by the Company on 2

LETTER FROM QUAM CAPITAL

November 2016; (2) the strong sales orders expected to be received for the remaining period of year 2016; (3) the anticipated units of vehicle to be sold based on the sales budget of the Group for the two years ending 31 December 2017 and 2018, with sales volume for the year ending 31 December 2017 representing an increase of approximately 24% from the year ending 31 December 2016, and sales volume for the year ending 31 December 2018 representing an increase of approximately 22% from the year ending 31 December 2017; and (4) the projected average selling price per vehicle to end customers determined based on the latest selling price of the vehicles is expected to remain relatively stable throughout 2017 and 2018. Further, the Company has highlighted in the Letter of the Board that with regard to the aforementioned strong sales orders expected to be received for the remaining period of 2016, it is the normal practice for all distributors to submit annual purchase forecasts before commencement of each year and then at about the start of each quarter, revise such forecasts for the coming quarter according to the prevailing business and economic conditions. Based on the aforementioned forecasts provided by the distributors and the historical track record of the distributors being normally able to meet these forecasts, as well as the strong sales performance in September and October 2016, the management of the Company is confident that strong sales orders will continue to be received for the rest of 2016 from the distributors across the PRC.

In our assessment of the fairness and reasonableness of the Revised Annual Caps (Services Agreement), we have reviewed the sales projection in respect of the CKDs Transaction and the CBUs Transaction for the three months ending 31 December 2016 and the two years ending 31 December 2018 prepared by the Group and also discussed with the management of the Company on the underlying bases and assumptions relating thereto. It is noted that the Directors have principally taken into account (1) the historical transaction amounts of the CKDs Transaction and the CBUs Transaction for the nine months ended 30 September 2016; (2) the actual total sales amount of the Group's vehicles for the nine months ended 30 September 2016; (3) the intended purchase of the Group's vehicles as indicated by the distributors for each of the three months ending 31 December 2016; (4) the sales projection in respect of the CBUs (Electric Vehicles) for the three months ending 31 December 2016 and the two years ending 31 December 2018 and the underlying bases relating thereto; (5) the expansion of the Group's overall manufacturing capacity following acquisitions of Baoji and Shanxi manufacturing plants for the production of the newly launched Geely Boyue (吉利博越) and Emgrand GS (帝豪GS); (6) the stable demand for the existing product range of the Group and the growing demand for the Group's four newly launched models and new models to be launched in 2017 and 2018; (7) the average unit selling price of the CKDs Transaction and the CBUs Transaction remains stable for the year ending 31 December 2016; (8) the projected average selling price per vehicle to end customers determined based on the latest selling price of the vehicles; (9) the prevailing market prices of the Group's existing major sedan models and the prevailing market prices of similar models in the PRC automobile market comparable to the new sedan models launched by the Group; and (10) the Directors' assumption on the tax rates on sales of automobile vehicles in the PRC remain unchanged for the three years ending 31 December 2018.

LETTER FROM QUAM CAPITAL

We concur with the Directors' view that it is fair and reasonable and in the interests of the Company and Shareholders to set the Revised Annual Caps (Services Agreement) at the proposed levels, after taking into consideration the following:

- the recent growth of the sales volume of automobiles in the PRC. According to the CAAM, the production and sales volume of automobile in the PRC recorded a growth of approximately 13.3% and 13.2% for the first nine months of 2016, respectively, as compared to the previous year while Geely was one of the top 10 automobile brands in the PRC in terms of sales volume from January to September 2016;
- the overall sale performance of the Group for the nine months ended 30 September 2016 as detailed above;
- the expected sales volume of CBUs for the remaining period of 2016 was principally estimated by the management of the Company based on the total amount of the intended purchase of the Group's vehicles as indicated by the distributors for the relevant period;
- the upward trend of demand for the Group's vehicles in 2016 and the expectation of continued positive sales performance of the existing models and the new vehicle models for the remaining of 2016 and the two years ending 31 December 2018 and the sales and marketing campaigns implemented by the Group to boost the sales of its new models;
- the expansion of the Group's overall manufacturing capability as a result of the recent acquisitions of 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited*) and 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited*), catering for the anticipated growth in sales of the Group's vehicles;
- the selling prices of the Group's existing sedans are generally estimated to remain steady for the remaining of 2016 and the selling price per vehicle to end customers for 2017 and 2018; and
- the adoption of an estimated consumption tax rate being mainly within the range of 3% to 5% for the transactions relating to the CKDs Transaction (subject to the engine size of the relevant vehicle models and the subsidy scheme for electric and new energy vehicles) based on the existing consumption tax rates applicable for the sale of different vehicles in the PRC.

LETTER FROM QUAM CAPITAL

(iii) Conclusion

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

C. REQUIREMENTS OF THE LISTING RULES

For each financial year of the Company during the terms of the Services Agreement, the Existing EV Agreement and the Supplemental EV Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company's independent auditors as required by Rules 14A.55 and 14A.56 of the Listing Rules. The independent non-executive Directors must confirm in the annual report and accounts that the transactions contemplated under the Services Agreement and the EV Transaction 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 Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company to engage its independent auditors to report on the transactions contemplated under the Services Agreement and the EV Transaction for each financial year of the Company and that the Company's independent auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that such transactions:

- have not been approved by the Board;
- were not, in all material respects, in accordance with the pricing basis for the Services Agreement, the Existing EV Agreement and the Supplemental EV Agreement;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- have exceeded the Proposed Annual Caps (EV) or the Revised Annual Caps (Services Agreement) (as the case may be).

Given the above, as well as the Group's internal control measures in place as disclosed in the Letter from the Board, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the transactions contemplated under the Services Agreement and the EV Transaction (including the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement)) will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

LETTER FROM QUAM CAPITAL

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 EV Transaction, the CKDs Transaction and the CBU's Transaction;
- the entering into of the Supplemental EV Agreement is for facilitating the Group's sales of electric and new energy vehicles in the PRC;
- the EV Transaction, the CKDs Transaction and the CBU's Transaction are in line with the Group's principal business activities;
- the internal control measures and arrangements in place to safeguard the interests of the Company and the Shareholders as a whole in relation to the EV Transaction, the CKDs Transaction and the CBU's Transaction (including the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement)); and
- the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement) have been set by the Directors, after careful and due consideration,

we consider that (i) the entering into of the Supplemental EV Agreement is conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise 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 Supplemental EV Agreement and the adoption of the Proposed Annual Caps (EV) and the Revised Annual Caps (Services Agreement).

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

The 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 Group. The Directors having made all reasonable enquires, 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 of this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's 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 they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(i) Director's interests and short positions in the securities of the Company

Name of Director	Nature of interests	Number or attributable number of Shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li (<i>Note 1</i>)	Interest in controlled corporations	3,759,959,000	–	42.47
Mr. Li (<i>Note 1</i>)	Personal	23,140,000	–	0.26
Mr. Yang Jian	Personal	14,475,000	–	0.16
Mr. Li Dong Hui, Daniel	Personal	3,000,000	–	0.03
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	15,380,000	–	0.17

Name of Director	Nature of interests	Number or attributable number of Shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
Share options				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.14
Mr. Li Dong Hui, Daniel	Personal	7,000,000 (Note 3)	–	0.08
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 (Note 4)	–	0.07
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.10
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 (Note 4)	–	0.06
Ms. Wei Mei	Personal	3,000,000 (Note 2)	–	0.03
Ms. Wei Mei	Personal	5,000,000 (Note 3)	–	0.06
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 (Note 4)	–	0.01

Name of Director	Nature of interests	Number or attributable number of Shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Lee Cheuk Yin, Dannis	Personal	300,000 (Note 2)	–	0.003
Mr. Lee Cheuk Yin, Dannis	Personal	750,000 (Note 4)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	300,000 (Note 2)	–	0.003
Mr. Yeung Sau Hung, Alex	Personal	750,000 (Note 4)	–	0.01
Mr. An Qing Heng	Personal	1,000,000 (Note 4)	–	0.01
Mr. Wang Yang	Personal	1,000,000 (Note 4)	–	0.01

Notes:

1. Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold 3,759,959,000 Shares (excluding those held directly by Mr. Li), representing approximately 42.47% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li and his associate.
2. The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that of the Latest Practicable Date.
3. The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that of the Latest Practicable Date.

4. The interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each Share during the period from 9 January 2016 to 8 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that of the Latest Practicable Date.

(ii) *Director's interest and short positions in the securities of the associated corporations of the Company*

Name of Director	Name of his associated corporations	Number of shares in his associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li	Geely Group Limited	50,000	–	60
Mr. Li	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)

Name of Director	Name of his associated corporations	Number of shares in his associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)
Mr. Li	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	–	(Note 11)
Mr. Li	Jinan Geely Automobile Company Limited	(Note 12)	–	(Note 12)

Notes:

- Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”) and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- Shanghai Maple Automobile Company Limited (“**Shanghai Maple Automobile**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- Zhejiang Haoqing Automobile Manufacturing Company Limited (“**Zhejiang Haoqing**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- Zhejiang Jirun Automobile Company Limited (“**Zhejiang Jirun**”) is private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

7. Shanghai Maple Guorun Automobile Company Limited (“**Shanghai Maple**”) is a private company incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
8. Zhejiang Kingkong Automobile Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
10. Hunan Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
11. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li and his associate.
12. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li and his associate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning 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 they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

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

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal

value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

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

Name	Nature of interests	Number of Shares held			Approximate percentage of shareholding (%)
		Long position	Short position	Lending pool	
Proper Glory (Note 1)	Beneficial owner	2,471,200,000	–	–	27.91
Geely Holding (Note 1)	Interest in controlled corporation	3,759,872,000	–	–	42.47
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	–	8.77
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	–	0.001
	Interest in controlled corporation	2,471,200,000	–	–	27.91
JPMorgan Chase & Co.	Interest in controlled corporation	512,617,294	–	–	5.79
		–	88,910,462	–	1.00
		–	–	198,255,895	2.24
Citigroup Inc.	Interest in controlled corporation	469,140,781	–	–	5.30
		–	175,269,198	–	1.98
		–	–	269,371,094	3.04

Notes:

1. Proper Glory Holding Inc. (“**Proper Glory**”) is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”) and as to 32% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li. Geely Holding is a private company incorporated in the PRC and is beneficially owned by Mr. Li and his associate.

2. Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.

Mr. Li is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. Li Dong Hui, Daniel is a director of Geely Holding. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

3. COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Geely Holding will constitute competing businesses (the “**Competing Businesses**”) to those currently engaged by the Group. Mr. Li has undertaken to the Company (the “**Undertaking**”) on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs that Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the “**Volvo Acquisition**”). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group’s product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding

Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

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

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

Save for disclosed below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is material in relation to the business of the Group.

- **Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)**
 - *Sales of complete knock down kits ("CKDs") and sedan tool kits from the Group to the Geely Holding Group*

Pursuant to the services agreement dated 27 November 2009 and the Company's announcement dated 13 November 2015, the Group agreed to supply to the Geely Holding Group the CKDs and sedan tool kits in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB83,768,317,000.

- *Sales of complete buildup units (“CBUs”), automobile parts and components; and provision of process manufacturing services from the Geely Holding Group to the Group*

Pursuant to the services agreement dated 27 November 2009 and the Company’s announcement dated 13 November 2015, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the services agreement with an aggregate largest annual cap of RMB115,283,866,000.

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

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

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

Pursuant to the loan guarantee agreement dated 13 November 2015 and the Company’s announcement dated 13 November 2015, the Group agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the Group) on loans obtained or to be obtained by the Geely Holding Group on behalf of the Group’s subsidiaries in relation to the manufacture and research and development of sedans of the Group with the largest annual cap being RMB1,500,000,000.

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

The Shareholders’ meeting in respect of the aforesaid loan guarantee agreement was held on 30 December 2015 and the loan guarantee agreement was duly approved by the then Independent Shareholders.

- **Existing EV Agreement between the Company and Geely Holding (the Existing EV Agreement has an effective term until 31 December 2018)**

Pursuant to the Existing EV Agreement dated 13 November 2015, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the Existing EV Agreement with the original largest annual cap being RMB4,000,000,000.

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

The Shareholders' meeting in respect of the aforesaid Existing EV Agreement was held on 30 December 2015 and the electric vehicle agreement was duly approved by the then Independent Shareholders.

- **CBU agreement between the Company and Geely Holding, as supplemented by a supplemental CBU agreement (the CBU agreement and the supplemental CBU agreement have an effective term until 31 December 2017)**

Pursuant to the CBU agreement dated 12 December 2014 and the supplemental CBU agreement dated 13 November 2015, the Group agreed to sell to the Geely Holding Group the CBUs, in accordance with the product and service specifications set out in the CBU agreement with the largest annual cap being RMB868,088,000.

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

- **IT services agreement between the Company and Geely Holding (the IT services agreement has an effective term until 31 December 2018)**

Pursuant to the IT services agreement dated 13 November 2015, the Geely Holding Group agreed to provide certain information technology ("IT") services to the Group with the largest annual cap being RMB70,827,000.

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

- **Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2018)**

Pursuant to the business travel services agreement dated 13 November 2015, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB126,732,000.

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

- **The Volvo finance cooperation agreements between Genius AFC and VCDC and ZJSH (the Volvo finance cooperation agreements have an effective term until 31 December 2018) (capitalized terms were defined in the circular of the Company dated 28 January 2016)**
- *Wholesale facility agreement between Genius AFC and Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2018)*

Pursuant to the wholesale facility agreement dated 11 December 2015, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB49,000 million.

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

The Shareholders' meeting in respect of the aforesaid wholesale facility agreement was held on 18 February 2016 and the wholesale facility agreement was duly approved by the then Independent Shareholders.

- *Retail loan cooperation agreement between Genius AFC and Volvo retail consumers (the retail loan cooperation agreement has an effective term until 31 December 2018)*

Pursuant to the retail loan cooperation agreement dated 11 December 2015, dealers of Volvo shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB11,000 million.

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

The Shareholders' meeting in respect of the aforesaid retail loan cooperation agreement was held on 18 February 2016 and the retail loan cooperation agreement was duly approved by the then Independent Shareholders.

- ***Baoji acquisition agreement between Baoji Geely and Jirun Automobile (capitalized terms were defined in the circular of the Company dated 21 July 2016)***

Pursuant to the Baoji acquisition agreement dated 1 June 2016, Jirun Automobile agreed to acquire and Baoji Geely agreed to sell the entire registered capital of the Baoji Target for RMB702,206,798.

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

The Shareholders' meeting in respect of the aforesaid Baoji acquisition agreement was held on 8 August 2016 and the Baoji acquisition agreement was duly approved by the then Independent Shareholders.

- ***Shanxi acquisition agreement between Shanxi New Energy and Jirun Automobile (capitalized terms were defined in the circular of the Company dated 21 July 2016)***

Pursuant to the Shanxi acquisition agreement dated 1 June 2016, Jirun Automobile agreed to acquire and Shanxi New Energy agreed to sell the entire registered capital of the Shanxi Target for RMB720,244,135.

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

The Shareholders' meeting in respect of the aforesaid Shanxi acquisition agreement was held on 8 August 2016 and the Shanxi acquisition agreement was duly approved by the then Independent Shareholders.

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

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

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

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

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

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

- ***Master disposal agreement between the Company (interest in the Kandi JV are held via Shanghai Maple Guorun, and interests in the Zhidou JV are held via the Zhidou Geely Parties) and Geely Holding (capitalized terms were defined in the circular of the Company dated 23 September 2016)***

Pursuant to the master disposal agreement dated 25 July 2016, Geely Holding agreed to acquire and Shanghai Maple Guorun (for Kandi Disposal) and Zhidou Geely Parties (for Zhidou Disposal) agreed to sell the (i) the Kandi Sale Shares, being 50% of the registered capital of the Kandi JV; and (ii) the Zhidou Sale Shares, being 45% of the registered capital of Zhidou JV. The aggregate consideration for the Disposals is RMB1,346,486,590, out of which RMB725,412,590 is for the Kandi Disposal and RMB621,074,000 is for the Zhidou Disposal.

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

The Shareholders' meeting in respect of the aforesaid master disposal agreement was held on 11 October 2016 and the master disposal agreement was duly approved by the then Independent Shareholders.

5. DIRECTOR'S SERVICE CONTRACTS

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

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 2015, the date to which the latest published audited accounts of the Company have been 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 Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2015, the date to which the latest audited financial statements of the Group was made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland Town, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in 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 on Monday, 28 November 2016:

- (a) the Existing EV Agreement and the Supplemental EV Agreement;
- (b) the Services Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this circular;
- (d) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 44 of this circular;
- (e) the written consent from Quam Capital referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and
- (f) this circular.

NOTICE OF THE EGM

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 175)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (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, 28 November 2016 at 10:00 a.m. or at any adjustment 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:**

- (a) the conditional agreement dated 5 October 2016 (the “**Supplemental EV Agreement**”) entered into between the Company and 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited) (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company together with its subsidiaries agreed to sell CBUs (Electric Vehicles) (as defined in the circular of the Company dated 11 November 2016 (the “**Circular**”)) to the Geely Holding Group, be and is hereby approved, ratified and confirmed;
- (b) the annual cap amounts in respect of the sales of CBUs (Electric Vehicles) as set out in the Circular for each of the three financial years ending 31 December 2016, 2017 and 2018 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Supplemental EV Agreement.”; and

2. “**THAT:**

- (a) the annual cap amounts in respect of the supply of CKDs (as defined in the circular of the Company dated 11 November 2016 (the “**Circular**”)) and the purchase of CBUs (as defined in the Circular), 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**

NOTICE OF THE EGM

Holding Group”) be revised to the annual cap amounts as set out in the Circular for the three financial years ending 31 December 2016, 2017 and 2018 be and is hereby approved; and

- (b) any one director of the Company be and is 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 the transactions contemplated under this resolution.

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

Hong Kong, 11 November 2016

Notes:

- (1) Any Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (3) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

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