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

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

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



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)

## (1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS; (2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS; (3) FURTHER REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial Adviser to Geely Automobile Holdings Limited**

浦銀國際
SPDB INTERNATIONAL

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

德健融資有限公司
DAKIN CAPITAL LIMITED

A letter from the Independent Board Committee is set out on pages 44-45 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 91 of this circular. A notice convening the EGM to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Wednesday, 27 December 2017 at 4:30 p.m. is set out on pages EGM-1 to EGM-3 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.

8 December 2017

# CONTENTS

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

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| "Acquisitions" | the Baoji Acquisition, Yili Acquisition and SZX Acquisition, collectively |
| "Acquisition Agreements" | the Baoji Acquisition Agreement, the Yili Acquisition Agreement and the SZX Acquisition Agreement, collectively |
| "associate(s)" | has the meaning ascribed to it in the Listing Rules |
| "Baoji Acquisition" | the acquisition of the entire registered capital of the Baoji Target by Geely Luoyou from Zhejiang Geely pursuant to the Baoji Acquisition Agreement |
| "Baoji Acquisition Agreement" | the acquisition agreement entered into between Geely Luoyou and Zhejiang Geely on 7 November 2017 in relation to the Baoji Acquisition |
| "Baoji Land and Buildings" | an industrial complex located at the north of Gaoxin Avenue and the west of Chuangye Road, Chencang District, Baoji City, Shaanxi Province, the PRC held by the Baoji Target |
| "Baoji Target" | 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited*), a limited liability company incorporated in the PRC, and is a wholly owned subsidiary of Zhejiang Geely as at the Latest Practicable Date |
| "Board" | the board of Directors |
| "Business Day" | a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC |
| "CBU(s)" | Complete Buildup Unit (整車), a complete vehicle after the final assembly |
| "CKD(s)" | Complete Knock Down Kit(s) or CKD(s) (整車成套件), a complete kit needed to assemble a vehicle |
| "Company" | Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 175) |
| "connected person" | has the meaning ascribed thereto under the Listing Rules |

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| "Dakin Capital" or "Independent Financial Adviser" | Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder and the Further Revised Annual Caps under the Services Agreement |
| "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 Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder and the Further Revised Annual Caps under the Service Agreement |
| "Further Revised Annual Caps" | the proposed further revised annual caps for the two years ending 31 December 2018 for the sale of CKDs and purchase of CBUs contemplated under the Services Agreement |
| "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 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 |
| "Geely Luoyou" | 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited*), a limited liability company incorporated in the PRC, and is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "HKFRS" | Hong Kong Financial Reporting Standards |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |

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| "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 relation to the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder and the Further Revised Annual Caps under the Services Agreement |
| "Independent Shareholders" | Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates |
| "JLL" | Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer |
| "Latest Practicable Date" | 4 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "LYNK & CO" | 領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and is owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively as at the Latest Practicable Date |
| "LYNK & CO Group" | LYNK & CO and its subsidiaries |
| "Mr. Li" | Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding approximately 44.02% interests in the total issued share capital of the Company as at the Latest Practicable Date |
| "percentage ratio(s)" | has the meaning ascribed to it under Rule 14.07 of the Listing Rules |
| "Powertrain Sales Agreement" | the master agreement dated 7 November 2017 entered into between the Company and Geely Holding for the sale of vehicle engines, transmissions and related after-sales parts by the Group to the LYNK & CO Group and the Geely Holding Group upon completion of the Acquisitions |

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| "Powertrain Sales Annual Caps" | the proposed annual caps for the three years ending 31 December 2020 for the sale of vehicle engines, transmissions and related after-sales parts by the Group to the LYNK & CO Group and the Geely Holding Group under the Powertrain Sales Agreement |
| "PRC" | the People's Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time |
| "SAIC" | State Administration for Industry and Commerce or its local bureaus |
| "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 section headed "(3) FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT" in this circular |
| "Shanghai Maple" | 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a private company incorporated in the PRC and is directly owned as to 90% by Geely Holding as at the Latest Practicable Date |
| "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) |
| "sq.m." | square meter(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "SZX Acquisition" | the acquisition of the entire registered capital of the SZX Target by Geely Luoyou from Geely Holding pursuant to the SZX Acquisition Agreement |

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| "SZX Acquisition Agreement" | the acquisition agreement entered into between Geely Luoyou and Geely Holding on 7 November 2017 in relation to the SZX Acquisition |
| "SZX Land and Buildings" | an industrial complex located at No. 199, Chunxiao Avenue, Beilun District, Ningbo City, Zhejiang Province, the PRC held by the SZX Target |
| "SZX Target" | 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited*), a limited liability company incorporated in the PRC and is a direct wholly owned subsidiary of Geely Holding as at the Latest Practicable Date |
| "Target Companies" | Baoji Target, Yili Target and SZX Target, collectively |
| "Valuation Report" | the valuation report dated 8 December 2017 on the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings prepared by JLL |
| "VCI" | 沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited*), a limited liability company established in the PRC and is an indirect 99% owned subsidiary of Geely Holding as at the Latest Practicable Date |
| "Yili Acquisition" | the acquisition of the entire registered capital of the Yili Target by Geely Luoyou from Zhejiang Geely and Shanghai Maple pursuant to the Yili Acquisition Agreement |
| "Yili Acquisition Agreement" | the acquisition agreement entered into amongst Geely Luoyou (as purchaser) and Zhejiang Geely and Shanghai Maple (as vendors) on 7 November 2017 in relation to the Yili Acquisition |
| "Yili Land and Buildings" | an industrial complex located at No. 18, Jixiang Road, Chi An Town, Yiwu City, Zhejiang Province, the PRC held by the Yili Target |
| "Yili Target" | 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited*), a limited liability company incorporated in the PRC and is directly owned as to 51% and 49% by Zhejiang Geely and Shanghai Maple, respectively as at the Latest Practicable Date |
| "Zhejiang Geely" | 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a private company incorporated in the PRC and is directly owned as to 90% by Geely Holding as at the Latest Practicable Date |

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| "Zhejiang Jirun" | 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC and is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date |
| "Zhejiang Haoqing" | 浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and is a 90% owned subsidiary of Geely Holding as at the Latest Practicable Date |
| "%" | per cent |

* *For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.*

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

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

*Non-executive Director:*
Mr. Carl Peter Edmund Moriz Forster

*Independent Non-executive Directors:*
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

*Registered Office:*
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104

*Principal Place of Business in Hong Kong:*
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

8 December 2017

*To the Shareholders,*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS;**
**(2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS;**
**(3) FURTHER REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT; AND**
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

## INTRODUCTION

Reference is made to the announcement of the Company dated 7 November 2017 in relation to, among other things, the Acquisitions, the continuing connected transactions to be contemplated under the Powertrain Sales Agreement and the Further Revised Annual Caps under the Services Agreement.

The purpose of this circular is to provide you with information, among other things, (i) further information about the Acquisition Agreements, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Services Agreement, respectively; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition Agreements, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Services Agreement; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition Agreements, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Services Agreement; and (iv) other information as required under the Listing Rules together with the notice of EGM.

## 1. DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS

### (A) Baoji Acquisition

On 7 November 2017 (after trading hours), Geely Luoyou, an indirect 99% owned subsidiary of the Company, entered into the Baoji Acquisition Agreement with Zhejiang Geely pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the entire registered capital of the Baoji Target for a consideration of RMB345,100,000.

The principal terms of the Baoji Acquisition Agreement are set out below:

***Date***

7 November 2017 (after trading hours)

***Parties***

Vendor: Zhejiang Geely

Purchaser: Geely Luoyou

Geely Luoyou is principally engaged in production of automobile engines and is an indirect 99% owned subsidiary of the Company. The remaining 1% interest in Geely Luoyou is indirectly held by Geely Holding as at the Latest Practicable Date.

Zhejiang Geely is principally engaged in the manufacture and sale of automobile and related components in the PRC. As at the Latest Practicable Date, Zhejiang Geely is directly owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% interests in the total issued share capital of the Company. Accordingly, Zhejiang Geely is an associate of Mr. Li and a connected person of the Company.

***Subject matter***

Pursuant to the Baoji Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the entire registered capital of the Baoji Target. Details of the Baoji Target are set out in the section headed "INFORMATION ON THE TARGET COMPANIES".

Upon completion of the Baoji Acquisition, the Baoji Target will become a wholly owned subsidiary of Geely Luoyou, and the financial statements of the Baoji Target will be consolidated into the financial statements of the Group.

***Consideration***

The consideration for the Baoji Acquisition is RMB345,100,000, which will be payable in cash within 60 calendar days from the date of completion of the Baoji Acquisition.

The consideration for the Baoji Acquisition was determined after arm's length negotiations between Geely Luoyou and Zhejiang Geely with reference to (i) the net asset value of the Baoji Target prepared under the HKFRS as at 30 September 2017 of approximately RMB22.2 million; (ii) the valuation premium of the Baoji Land and Buildings of approximately RMB82.9 million, being the difference between the Baoji Property Valuation (as defined below) of approximately RMB268.0 million and the carrying value of the Baoji Land and Buildings of approximately RMB185.1 million as at 30 September 2017; and (iii) the capital contribution of RMB240.0 million made by Zhejiang Geely into the Baoji Target in November 2017.

It is expected that the consideration for the Baoji Acquisition will be funded by internal resources of the Group.

***Undertaking in respect of the Baoji Land and Buildings***

As at the Latest Practicable Date, the Baoji Target holds an industrial complex located in Baoji City, Shaanxi Province, the PRC (i.e. the Baoji Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Baoji Land and Buildings comprised (i) one parcel of land with a total site area of approximately 217,582.67 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,156.70 sq.m., the construction of which was completed in 2017. As further stated in the Valuation Report, (i) the Baoji Target held one state-owned land use rights certificate, one construction land planning permit, one construction work planning permit and one construction work commencement permit for the Baoji Land and Buildings; and (ii) the Baoji Target had not obtained title certificates for the nine buildings comprising the Baoji Land and Buildings (the "**Baoji Properties Without Title**"). Based on the Valuation Report, as at 30 September 2017, (i) the market value of the Baoji Land and Buildings was RMB74,120,000; (ii) no commercial value had been attributed to the Baoji Properties Without Title as the title certificates for which had not been obtained; and (iii) for reference purpose, JLL was of the opinion that the depreciated replacement cost of the Baoji Properties Without Title would be RMB193,930,000 (together with the market value of the Baoji Land and Buildings of RMB74,120,000, collectively referred to as the "**Baoji Property Valuation**") assuming all title certificates had been obtained and the buildings could be freely transferred. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the Baoji Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the Baoji Target is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the Baoji Target upon completion of the final inspection and acceptance procedure by the relevant authorities. As at the Latest Practicable Date, the Baoji Target has completed the construction completion inspection and acceptance procedures, and is in the process of completing the fire safety inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for fire safety, environmental protection and public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the Baoji Target will apply for the title certificates for the Baoji Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the Baoji Target will be given a certain period of time to rectify such deficiencies. As at the Latest Practicable Date, the Directors do not foresee any material impediments for completing the above inspection and acceptance procedures and expect the said title certificates for the Baoji Properties Without Title will be obtained on or before 31 December 2018.

Pursuant to the Baoji Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the Baoji Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Zhejiang Geely shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Baoji Properties Without Title, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Baoji Acquisition.

Notwithstanding the loss, if any, that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Baoji Properties Without Title cannot be ascertained at this stage, such loss shall be fully indemnified by Zhejiang Geely based on the actual loss incurred by the Group as a result of not being able to obtain the title certificates (such as any fines imposed to the Group by the relevant authorities) and/or to use the Baoji Properties Without Title (such as the cost of relocation to the Group) and shall be determined with reference to a loss assessment performed by an independent professional valuer as soon as practicable upon the occurrence of such loss. Any such loss shall be fully indemnified with retrospective effect since date of completion of the Baoji Acquisition by Zhejiang Geely in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the independent professional valuer. Given the above and the fact that the above indemnity clause and compensation mechanism were arrived at after arm's length negotiation between the parties to the Baoji Acquisition Agreement based on commercial decisions and serves to protect the interest of the Group in the event that any of the title certificates for the Baoji Properties Without Title have not been obtained on or before 31 December 2018, the Board considers such indemnity clause and compensation mechanism fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered (i) the basis for determination of the consideration for the Baoji Acquisition as disclosed in the section headed "1. Discloseable and connected transactions in relation to the Acquisitions – (A) Baoji Acquisition – Consideration" above; (ii) the legal opinion from the PRC legal advisor to the Company that there are no material legal impediments in obtaining the title certificates for the Baoji Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities; and (iii) in the event that any of the title certificates for the Baoji Properties Without Title have not been obtained on or before 31 December 2018, Zhejiang Geely shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Baoji Properties Without Title, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Baoji Acquisition, the Board considers the consideration for the Baoji Acquisition fair and reasonable.

***Shareholder's loan***

Pursuant to the Baoji Acquisition Agreement, the outstanding shareholder's loan of the Baoji Target in the amount of up to a maximum of RMB985.1 million on the completion date of the Baoji Acquisition will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the Baoji Acquisition. The above maximum outstanding amount of the shareholder's loan of the Baoji Target was determined based on the outstanding shareholder's loan of the Baoji Target as at 30 September 2017 of RMB985.1 million. Such shareholder's loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

***Conditions precedent***

Completion of the Baoji Acquisition will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(a) Geely Luoyou being satisfied with the results of its due diligence review on the Baoji Target, including but not limited to:

   (i) the completion of the legal procedures in respect of the capital contribution to the Baoji Target by Zhejiang Geely, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Zhejiang Geely; and

   (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the Baoji Target;

(b) the Company having obtained the Independent Shareholders' approval at the EGM for the Baoji Acquisition in accordance with the Listing Rules;

(c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the Baoji Acquisition, including but not limited to, the obtaining of the new business license of the Baoji Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the Baoji Target;

(d) the representations and warranties made by Zhejiang Geely in the Baoji Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Geely having performed fully its obligations under the Baoji Acquisition Agreement on or before completion of the Baoji Acquisition; and

(e) (i) there being no material adverse change in the existence, business, financial positions of the Baoji Target; and (ii) no statute, regulation, proceeding or order pertaining to the Baoji Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the Baoji Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Baoji Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (b) and (c) above are not capable of being waived) within 60 calendar days from the date of the Baoji Acquisition Agreement (or such later date as the parties may agree in writing), any party to the Baoji Acquisition Agreement will have the right to terminate the Baoji Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the Baoji Acquisition Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the Baoji Acquisition Agreement will become null and void upon such termination and the Baoji Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

In respect of condition (a)(i) above, on 30 November 2017, Zhejiang Geely made a capital contribution in the amount of RMB240 million into the Baoji Target for the development and general working capital of the Baoji Target and the registered capital of the Baoji Target increased from RMB60 million to RMB300 million pursuant to the shareholder's resolution for the Baoji Target. In respect of conditions a(ii) and (c) above, to the best of the Directors' knowledge, as at the Latest Practicable Date, there are no material licenses, consents and/or approvals that are necessary to be obtained to conduct the business operations of the Baoji Target, and apart from the application to be made to SAIC regarding the transfer of the entire registered capital of the Baoji Target, no other material consents, waivers and/or approvals from the relevant government authorities or third parties are required for the Baoji Acquisition. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

***Completion of the Baoji Acquisition***

Completion of the Baoji Acquisition will take place on the date which is the second Business Day after all the conditions precedent to the Baoji Acquisition Agreement have been fulfilled or waived (as the case may be) or such later date as the parties may agree in writing.

**(B) Yili Acquisition**

On 7 November 2017 (after trading hours), Geely Luoyou entered into the Yili Acquisition Agreement with Zhejiang Geely and Shanghai Maple pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell, the entire registered capital of the Yili Target for a consideration of RMB495,000,000.

The principal terms of the Yili Acquisition Agreement are set out below:

***Date***

7 November 2017 (after trading hours)

***Parties***

Vendors: Zhejiang Geely and Shanghai Maple

Purchaser: Geely Luoyou

Please refer to the section headed "(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS – (A) Baoji Acquisition – Parties" for details of Zhejiang Geely and Geely Luoyou.

Shanghai Maple is principally engaged in the manufacture and sale of automobile and related components in the PRC. As at the Latest Practicable Date, Shanghai Maple is directly owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Accordingly, Shanghai Maple is an associate of Mr. Li and a connected person of the Company.

***Subject matter***

Pursuant to the Yili Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell, the entire registered capital of the Yili Target. Details of the Yili Target are set out in the section headed "INFORMATION ON THE TARGET COMPANIES".

Upon completion of the Yili Acquisition, the Yili Target will become a wholly owned subsidiary of Geely Luoyou, and the financial statements of the Yili Target will be consolidated into the financial statements of the Group.

***Consideration***

The consideration for the Yili Acquisition is RMB495,000,000, which will be payable in cash within 60 calendar days from the date of completion of the Yili Acquisition.

The consideration for the Yili Acquisition was determined after arm's length negotiations among Geely Luoyou, Zhejiang Geely and Shanghai Maple with reference to (i) the net asset value of the Yili Target prepared under the HKFRS as at 30 September 2017 of approximately RMB58.4 million; (ii) the valuation premium of the Yili Land and Buildings of approximately RMB36.6 million, being the difference between the Yili Property Valuation (as defined below) of approximately RMB240.1 million and the carrying value of the Yili Land and Buildings of approximately RMB203.5 million as at 30 September 2017; and (iii) the capital contribution of RMB400.0 million made by Zhejiang Geely and Shanghai Maple into the Yili Target in November 2017.

It is expected that the consideration for the Yili Acquisition will be funded by internal resources of the Group.

***Undertaking in respect of the Yili Land and Buildings***

As at the Latest Practicable Date, the Yili Target holds an industrial complex located in Yiwu City, Zhejiang Province, the PRC (i.e. the Yili Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Yili Land and Buildings comprised (i) two parcels of land with a total site area of approximately 268,296.31 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,118.63 sq.m., the construction of which was completed in 2017. As further stated in the Valuation Report, (i) the Yili Target held two real estate rights certificates, two construction work planning permits and one construction work commencement permit for the Yili Land and Buildings; and (ii) the Yili Target had not obtained title certificates for nine buildings comprising the Yili Land and Buildings (the "**Yili Properties Without Title**"). Based on the Valuation Report, as at 30 September 2017, (i) the market value of the Yili Land and Buildings was RMB78,110,000; (ii) no commercial value had been attributed to the Yili Properties Without Title as the title certificates for which had not been obtained; and (iii) for reference purpose, JLL was of the opinion that the depreciated replacement cost of the Yili Properties Without Title would be RMB162,000,000 (together with the market value of the Yili Land and Buildings of RMB78,110,000, collectively referred to as the "**Yili Property Valuation**") assuming all title certificates had been obtained and the buildings could be freely transferred. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the Yili Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the Yili Target is in compliance with the relevant laws in principle; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the Yili Target upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities. As at the Latest Practicable Date, the Yili Target has completed the construction completion inspection and acceptance procedures, and is in the process of completing the fire safety inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for fire safety, environmental protection and public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the Yili Target will apply for the title certificates for the Yili Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the Yili Target will be given a certain period of time to rectify such deficiencies. As at the Latest Practicable Date, the Directors do not foresee any material impediments for completing the above inspection and acceptance procedures and expect the said title certificates for the Yili Properties Without Title will be obtained on or before 31 December 2018.

Pursuant to the Yili Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the Yili Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Zhejiang Geely and Shanghai Maple shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Yili Properties Without Title, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Yili Acquisition.

Notwithstanding the loss, if any, that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Yili Properties Without Title cannot be ascertained at this stage, such loss shall be fully indemnified by Zhejiang Geely and Shanghai Maple based on the actual loss incurred by the Group as a result of not being able to obtain the title certificates (such as any fines imposed to the Group by the relevant authorities) and/or to use the Yili Properties Without Title (such as the cost of relocation to the Group) and shall be determined with reference to a loss assessment performed by an independent professional valuer as soon as practicable upon the occurrence of such loss. Any such loss shall be fully indemnified with retrospective effect since date of completion of the Yili Acquisition by Zhejiang Geely and Shanghai Maple in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the independent professional valuer. Given the above and the fact that the above indemnity clause and compensation mechanism were arrived at after arm's length negotiation between the parties to the Yili Acquisition Agreement based on commercial decisions and serves to protect the interest of the Group in the event that any of the title certificates for the Yili Properties Without Title have not been obtained on or before 31 December 2018, the Board considers such indemnity clause and compensation mechanism fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered (i) the basis for determination of the consideration for the Yili Acquisition as disclosed in the section headed "1. Discloseable and connected transactions in relation to the Acquisitions – (B) Yili Acquisition – Consideration" above; (ii) the legal opinion from the PRC legal advisor to the Company that there are no material legal impediments in obtaining the title certificates for the Yili Properties Without Title upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities; and (iii) in the event that any of the title certificates for the Yili Properties Without Title have not been obtained on or before 31 December 2018, Zhejiang Geely and Shanghai Maple shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Yili Properties Without Title, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Yili Acquisition, the Board considers the consideration for the Yili Acquisition fair and reasonable.

***Shareholder's loan***

Pursuant to the Yili Acquisition Agreement, the outstanding shareholder's loan of the Yili Target in the amount of up to a maximum of RMB476.4 million on the completion date of the Yili Acquisition will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the Yili Acquisition. The above maximum outstanding amount of the shareholder's loan of the Yili Target was determined based on the outstanding shareholder's loan of the Yili Target as at 30 September 2017 of RMB476.4 million. Such shareholder's loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

***Conditions precedent***

Completion of the Yili Acquisition will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(a) Geely Luoyou being satisfied with the results of its due diligence review on the Yili Target, including but not limited to:

   (i) the completion of the legal procedures in respect of the capital contribution to the Yili Target by Zhejiang Geely and Shanghai Maple, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Zhejiang Geely and Shanghai Maple; and

   (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the Yili Target;

(b) the Company having obtained the Independent Shareholders' approval at the EGM for the Yili Acquisition in accordance with the Listing Rules;

(c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the Yili Acquisition, including but not limited to, the obtaining of the new business license of the Yili Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the Yili Target;

(d) the representations and warranties made by Zhejiang Geely and Shanghai Maple in the Yili Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Geely and Shanghai Maple having performed fully their obligations under the Yili Acquisition Agreement on or before completion of the Yili Acquisition; and

(e) (i) there being no material adverse change in the existence, business, financial positions of the Yili Target; and (ii) no statute, regulation, proceeding or order pertaining to the Yili Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the Yili Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Yili Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (b) and (c) above are not capable of being waived) within 60 calendar days from the date of the Yili Acquisition Agreement (or such later date as the parties may agree in writing), any party to the Yili Acquisition Agreement will have the right to terminate the Yili Acquisition Agreement by prior written notice to the other parties. In the event of such termination, no party to the Yili Acquisition Agreement may raise any claim against any other parties or demand any other parties to undertake any liability. All rights, obligations and liabilities under the Yili Acquisition Agreement will become null and void upon such termination and the Yili Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

In respect of condition (a)(i) above, on 29 November 2017, Zhejiang Geely and Shanghai Maple made a capital contribution in the amount of RMB400 million in proportion to their respective shareholding into the Yili Target for the development and general working capital of the Yili Target and the registered capital of the Yili Target increased from RMB100 million to RMB500 million pursuant to the shareholders' resolution for the Yili Target. In respect of conditions a(ii) and (c) above, to the best of the Directors' knowledge, as at the Latest Practicable Date, there are no material licenses, consents and/or approvals that are necessary to be obtained to conduct the business operations of the Yili Target, and apart from the application to be made to SAIC regarding the transfer of the entire registered capital of the Yili Target, no other material consents, waivers and/or approvals from the relevant government authorities or third parties are required for the Yili Acquisition. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

***Completion of the Yili Acquisition***

Completion of the Yili Acquisition will take place on the date which is the second Business Day after all the conditions precedent to the Yili Acquisition Agreement have been fulfilled or waived (as the case may be) or such later date as the parties may agree in writing.

## (C) SZX Acquisition

On 7 November 2017 (after trading hours), Geely Luoyou entered into the SZX Acquisition Agreement with Geely Holding pursuant to which Geely Luoyou has conditionally agreed to acquire, and Geely Holding has conditionally agreed to sell, the entire registered capital of the SZX Target for a consideration of RMB993,100,000.

The principal terms of the SZX Acquisition Agreement are set out below:

***Date***

7 November 2017 (after trading hours)

***Parties***

Vendors: Geely Holding

Purchaser: Geely Luoyou

Geely Holding is principally engaged in the sale of automobiles and related parts and components wholesale and retail businesses, and is beneficially wholly owned by Mr. Li and his associate. Accordingly, Geely Holding is an associate of Mr. Li and a connected person of the Company.

Please refer to the section headed "(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS – (A) Baoji Acquisition – Parties" for details of Geely Luoyou.

***Subject matter***

Pursuant to the SZX Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Geely Holding has conditionally agreed to sell, the entire registered capital of the SZX Target. Details of the SZX Target are set out in the section headed "INFORMATION ON THE TARGET COMPANIES".

Upon completion of the SZX Acquisition, the SZX Target will become a wholly owned subsidiary of Geely Luoyou, and the financial statements of the SZX Target will be consolidated into the financial statements of the Group.

***Consideration***

The consideration for the SZX Acquisition is RMB993,100,000, which will be payable in cash within 60 calendar days from the date of completion of the SZX Acquisition.

The consideration for the SZX Acquisition was determined after arm's length negotiations between Geely Luoyou and Geely Holding with reference to (i) the net asset value of the SZX Target prepared under the HKFRS as at 30 September 2017 of approximately RMB33.7 million; (ii) the valuation premium of the SZX Land and Buildings of approximately RMB64.4 million, being the difference between the SZX Property Valuation (as defined below) of approximately RMB310.0 million and the carrying value of the SZX Land and Buildings of approximately RMB245.6 million as at 30 September 2017; and (iii) the capital contribution of RMB895.0 million made by Geely Holding into the SZX Target in November 2017.

It is expected that the consideration for the SZX Acquisition will be funded by internal resources of the Group.

***Undertaking in respect of the SZX Land and Buildings***

As at the Latest Practicable Date, the SZX Target holds an industrial complex located in Ningbo City, Zhejiang Province, the PRC (i.e. the SZX Land and Buildings). According to the Valuation Report, as at 30 September 2017, the SZX Land and Buildings comprised (i) two parcels of land with a total site area of approximately 222,489.80 sq.m.; (ii) 12 buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 71,323.81 sq.m., the construction of which was completed in 2017; and (iii) 10 buildings (including manufactory buildings, staff dormitories and ancillary buildings) which were under construction with a total planned gross floor area of 77,513.10 sq.m., the construction of which is expected to be completed in April 2019. As further stated in the Valuation Report, (i) the SZX Target held one state-owned land use rights certificate, one real estate title certificate, two construction land planning permits, two construction work planning permits and three construction work commencement permits for the SZX Land and Buildings; and (ii) the SZX Target had not obtained title certificates for the 12 buildings (the construction of which was completed in 2017) and 10 buildings (which were under construction) comprising the SZX Land and Buildings (the "**SZX Properties Without Title**"). Based on the Valuation Report, as at 30 September 2017, (i) the market value of the SZX Land and Buildings was RMB94,780,000; (ii) no commercial value had been attributed to the SZX Properties Without Title as the title certificates for which had not been obtained; and (iii) for reference purpose, JLL was of the opinion that the depreciated replacement cost of the SZX Properties Without Title would be RMB215,190,000 (together with the market value of the SZX Land and Buildings of RMB94,780,000, collectively referred to as the "**SZX Property Valuation**") assuming all title certificates had been obtained and the buildings could be freely transferred. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the SZX Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the SZX Target is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the SZX Target upon completion of the final inspection and acceptance procedure by the relevant authorities. As at the Latest Practicable Date, the SZX Target has completed the construction completion, fire safety and environmental protection inspection and acceptance procedures, and is in the process of completing the public security inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the SZX Target will apply for the title certificates for the SZX Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the SZX Target will be given a certain period of time to rectify such deficiencies. As at the Latest Practicable Date, the Directors do not foresee any material impediments for completing the above inspection and acceptance procedures and expect the said title certificates for the SZX Properties Without Title will be obtained on or before 31 December 2018.

Pursuant to the SZX Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the SZX Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Geely Holding shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the SZX Properties Without Title, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the SZX Acquisition.

Notwithstanding the loss, if any, that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the SZX Properties Without Title cannot be ascertained at this stage, such loss shall be fully indemnified by Geely Holding based on the actual loss incurred by the Group as a result of not being able to obtain the title certificates (such as any fines imposed to the Group by the relevant authorities) and/or to use the SZX Properties Without Title (such as the cost of relocation to the Group) and shall be determined with reference to a loss assessment performed by an independent professional valuer as soon as practicable upon the occurrence of such loss. Any such loss shall be fully indemnified with retrospective effect since date of completion of the SZX Acquisition by Geely Holding in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the independent professional valuer. Given the above and the fact that the above indemnity clause and compensation mechanism were arrived at after arm's length negotiation between the parties to the SZX Acquisition Agreement based on commercial decisions and serves to protect the interest of the Group in the event that any of the title certificates for the SZX Properties Without Title have not been obtained on or before 31 December 2018, the Board considers such indemnity clause and compensation mechanism fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered (i) the basis for determination of the consideration for the SZX Acquisition as disclosed in the section headed "1. Discloseable and connected transactions in relation to the Acquisitions – (C) SZX Acquisition – Consideration" above; (ii) the legal opinion from the PRC legal advisor to the Company that there are no material legal impediments in obtaining the title certificates for the SZX Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities; and (iii) in the event that any of the title certificates for the SZX Properties Without Title have not been obtained on or before 31 December 2018, Geely Holding shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the SZX Properties Without Title, and shall pay to Geely

Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the SZX Acquisition, the Board considers the consideration for the SZX Acquisition fair and reasonable.

***Shareholder's loan***

Pursuant to the SZX Acquisition Agreement, the outstanding shareholder's loan of the SZX Target in the amount of up to a maximum of RMB1,675.8 million will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the SZX Acquisition. The above maximum outstanding amount of the shareholder's loan of the SZX Target was determined based on the outstanding shareholder's loan of the SZX Target as at 30 September 2017 of RMB1,675.8 million. Such shareholder's loan is fully exempted from the continuing connected transaction requirements under the Listing Rules as it is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

***Conditions precedent***

Completion of the SZX Acquisition will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(a) Geely Luoyou being satisfied with the results of its due diligence review on the SZX Target, including but not limited to:

  (i) the completion of the legal procedures in respect of the capital contribution to the SZX Target by Geely Holding, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Geely Holding; and

  (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the SZX Target;

(b) the Company having obtained the Independent Shareholders' approval at the EGM for the SZX Acquisition in accordance with the Listing Rules;

(c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the SZX Acquisition, including but not limited to, the obtaining of the new business license of the SZX Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the SZX Target;

(d) the representations and warranties made by Geely Holding in the SZX Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Geely Holding having performed fully its obligations under the SZX Acquisition Agreement on or before completion of the SZX Acquisition; and

(e) (i) there being no material adverse change in the existence, business, financial positions of the SZX Target; and (ii) no statute, regulation, proceeding or order pertaining to the SZX Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the SZX Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the SZX Acquisition Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (b) and (c) above are not capable of being waived) within 60 calendar days from the date of the SZX Acquisition Agreement (or such later date as the parties may agree in writing), any party to the SZX Acquisition Agreement will have the right to terminate the SZX Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the SZX Acquisition Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the SZX Acquisition Agreement will become null and void upon such termination and the SZX Acquisition Agreement will be of no further effect, save with respect to any antecedent breaches.

In respect of condition (a)(i) above, on 27 November 2017, Geely Holding made a capital contribution in the amount of RMB895 million into the SZX Target for the development and general working capital of the SZX Target and the registered capital of the SZX Target increased from RMB105 million to RMB1 billion pursuant to the shareholder's resolution for the SZX Target. In respect of conditions a(ii) and (c) above, to the best of the Directors' knowledge, as at the Latest Practicable Date, there are no material licenses, consents and/or approvals that are necessary to be obtained to conduct the business operations of the SZX Target, and apart from the application to be made to SAIC regarding the transfer of the entire registered capital of the SZX Target, no other material consents, waivers and/or approvals from the relevant government authorities or third parties are required for the SZX Acquisition. As at the Latest Practicable Date, none of the conditions above has been fulfilled.

***Completion of the SZX Acquisition***

Completion of the SZX Acquisition will take place on the date which is the second Business Day after all the conditions precedent to the SZX Acquisition Agreement have been fulfilled or waived (as the case may be) or such later date as the parties may agree in writing.

**Information on the target companies**

***Principal businesses of the Target Companies***

*(a) Baoji Target*

Baoji Target is a private limited liability company incorporated in the PRC on 16 December 2015. It is principally engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC.

As at the Latest Practicable Date, the Baoji Target holds an industrial complex located in Baoji City, Shaanxi Province, the PRC (i.e. the Baoji Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Baoji Land and Buildings comprised (i) one parcel of land with a total site area of approximately 217,582.67 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,156.70 sq.m., the construction of which was completed in 2017.

As at the Latest Practicable Date, the principal asset of the Baoji Target is the Baoji Land and Buildings. Apart from the Baoji Land and Buildings, other assets of the Baoji Target include, amongst others, fixed assets (such as manufacturing machinery and equipment), bank and cash balances and the PRC value-added tax assets. With regard to the machinery and equipment being valued at depreciated book value, the Company performed due diligence on such fixed assets including carrying out physical inspection on and ascertaining the age of such fixed assets which are of higher value. As the Company did not notice any irregularities and discrepancies from the fixed asset register of the Baoji Target during its inspection, and acknowledged and confirmed with Zhejiang Geely that most of the fixed assets have an age of around 1 year which are relatively new and are in good condition, the Directors do not regard impairment to be a material concern and therefore consider the acquisition of such fixed assets at depreciated book value to be appropriate. The manufacturing facilities of the Baoji Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 360,000 units of vehicle engines and related after-sales parts per annum.

*(b) Yili Target*

Yili Target is a private limited liability company incorporated in the PRC on 30 June 2015. It is principally engaged in the research, development, production and sales of vehicle engines and related after sales-parts in the PRC.

As at the Latest Practicable Date, the Yili Target holds an industrial complex located in Yiwu City, Zhejiang Province, the PRC (i.e. the Yili Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Yili Land and Buildings comprised (i) two parcels of land with a total site area of approximately 268,296.31 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,118.63 sq.m., the construction of which was completed in 2017.

As at the Latest Practicable Date, the principal asset of the Yili Target is the Yili Land and Buildings. Apart from the Yili Land and Buildings, other assets of the Yili Target include, amongst others, fixed assets (such as manufacturing machinery and equipment) and the PRC value-added tax assets. With regard to the machinery and equipment being valued at depreciated book value, the Company performed due diligence on such fixed assets including carrying out physical inspection on and ascertaining the age of such fixed assets which are of higher value. As the Company did not notice any irregularities and discrepancies from the fixed asset register of the Yili Target during its inspection, and acknowledged and confirmed with Zhejiang Geely and Shanghai Maple that most of the fixed assets have an age of around 2 years which are relatively new and are in good condition, the Directors do not regard impairment to be a material concern and therefore consider the acquisition of such fixed assets at depreciated book value to be appropriate. The manufacturing facilities of the Yili Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 400,000 units of vehicle engines and related after-sales parts per annum.

*(c) SZX Target*

SZX Target is a private limited liability company incorporated in the PRC on 27 December 2012. It is principally engaged in the research, development, production and sales of transmissions and related after-sales parts in the PRC.

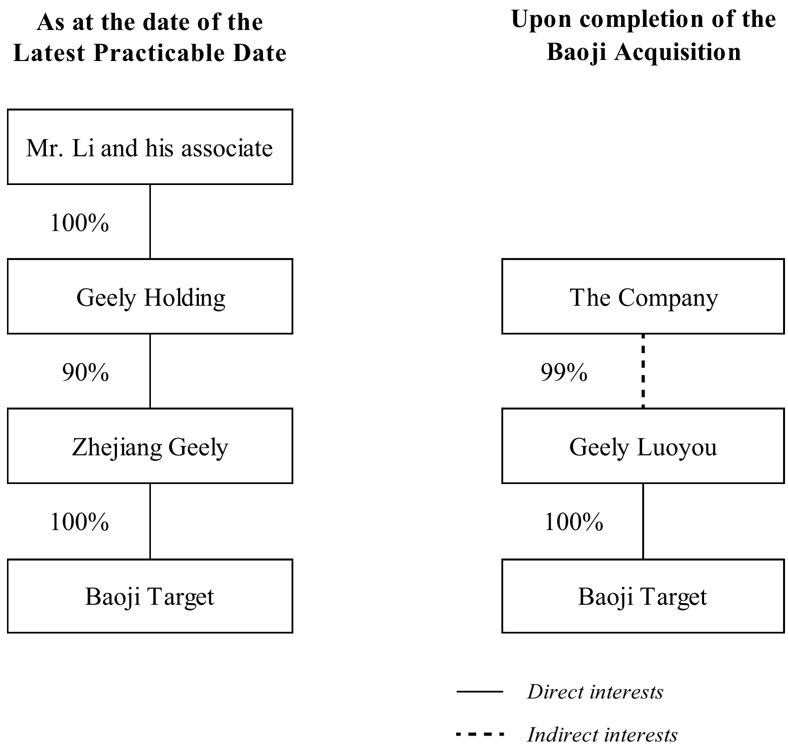
As at the Latest Practicable Date, the SZX Target holds an industrial complex located in Ningbo City, Zhejiang Province, the PRC (i.e. the SZX Land and Buildings). According to the Valuation Report, as at 30 September 2017, the SZX Land and Buildings comprised (i) two parcels of land with a total site area of approximately 222,489.80 sq.m.; (ii) 12 buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 71,323.81 sq.m., the construction of which was completed in 2017; and (iii) 10 buildings (including manufactory buildings, staff dormitories and ancillary buildings) which were under construction with a total planned gross floor area of 77,513.10 sq.m., the construction of which is expected to be completed in April 2019.

As at the Latest Practicable Date, the principal asset of the SZX Target is the SZX Land and Buildings. Apart from the SZX Land and Buildings, other assets of the SZX Target include, amongst others, fixed assets (such as manufacturing machinery and equipment), prepayments to suppliers and the PRC value-added tax assets. With regard to the machinery and equipment being valued at depreciated book value, the Company performed due diligence on such fixed assets including carrying out physical inspection on and ascertaining the age of such fixed assets which are of higher value. As the Company did not notice any irregularities and discrepancies from the fixed asset register of the SZX Target during its inspection, and acknowledged and confirmed with Geely Holding that most of the fixed assets have an age of around 3 years which are relatively new and are in good condition, the Directors do not regard impairment to be a material concern and therefore consider the acquisition of such fixed assets at depreciated book value to be appropriate. The manufacturing facilities of the SZX Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 600,000 units of transmission and related after-sales parts per annum upon full operation.

***Shareholding structures of the Target Companies***

The following diagrams set out the shareholding structures of the Target Companies before and upon completion of the Acquisitions:

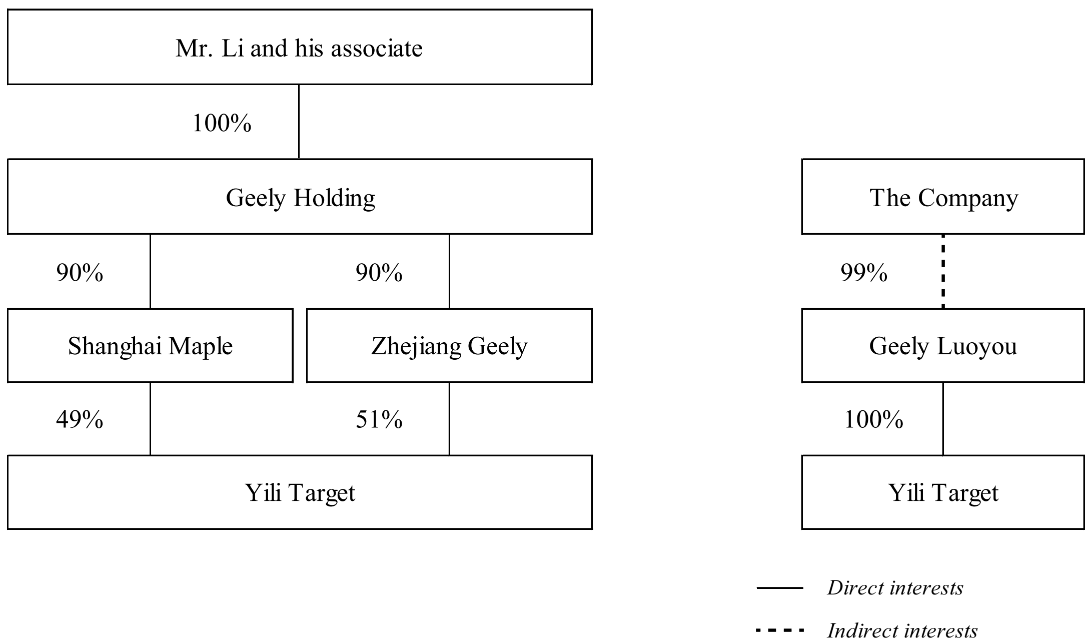
*Baoji Target*



*Yili Target*

**As at the date of the Latest Practicable Date**

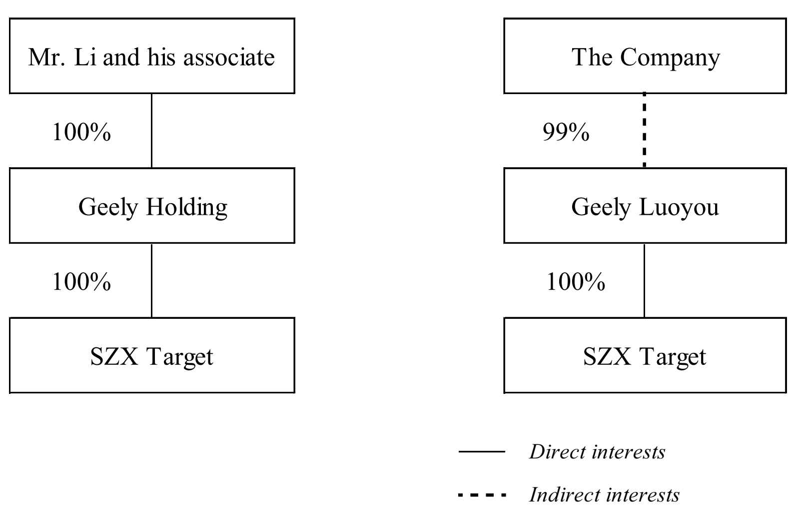
**Upon completion of the Yili Acquisition**




*SZX Target*

**As at the date of the Latest Practicable Date**

**Upon completion of the SZX Acquisition**



***Financial information on the Target Companies***

Set out below are the unaudited financial information of the Baoji Target and Yili Target for the year ended 31 December 2016 and the nine months ended 30 September 2017, and the unaudited financial information of SZX Target for the two years ended 31 December 2016 and the nine months ended 30 September 2017 prepared under the HKFRS:

*Baoji Target*

| **Baoji Target**<br>(Incorporated in the PRC<br>on 16 December 2015) | **For the year ended**<br>**31 December 2016**<br>(Unaudited)<br>*RMB'000* | **For the nine**<br>**months ended**<br>**30 September 2017**<br>(Unaudited)<br>*RMB'000* |
|---|---|---|
| Revenue | – | – |
| Loss before and after taxation | (13,648) | (24,173) |

The unaudited net asset value of the Baoji Target as at 30 September 2017 amounted to approximately RMB22,178,000. The net assets of the Baoji Target as at 30 September 2017 comprised total assets of approximately RMB2,383.0 million and total liabilities of approximately RMB2,360.8 million. Total assets mainly comprised the Baoji Land and Buildings, and machinery and equipment for manufacturing purposes of approximately RMB1,782.6 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities mainly comprised trade and other payables of approximately RMB1,288.8 million, which primarily represented the shareholder's loan from Zhejiang Geely arisen from the construction costs of the Baoji Land and Building and the acquisition costs of machinery and equipment, and the deferred income in relation to the government subsidies of approximately RMB1,072.0 million received by Baoji Target.

*Yili Target*

| **Yili Target**<br>(Incorporated in the PRC<br>on 30 June 2015) | **For the year ended**<br>**31 December 2016**<br>(Unaudited)<br>*RMB'000* | **For the nine**<br>**months ended**<br>**30 September 2017**<br>(Unaudited)<br>*RMB'000* |
|---|---|---|
| Revenue | – | – |
| Loss before and after taxation | (6,570) | (34,761) |

The unaudited net asset value of the Yili Target as at 30 September 2017 amounted to approximately RMB58,446,000. The net assets of the Yili Target as at 30 September 2017 comprised total assets of approximately RMB1,270.2 million and total liabilities of approximately RMB1,211.8 million. Total assets mainly comprised the Yili Land and Buildings, and machinery and equipment for manufacturing purposes of approximately RMB1,102.6 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities mainly comprised trade and other payables of approximately RMB661.8 million, which primarily represented the shareholders' loan from Zhejiang Geely and Shanghai Maple arisen from the construction costs of the Yili Land and Buildings and the acquisition costs of machinery and equipment, and the deferred income in relation to the government subsidies of approximately RMB550.0 million received by the Yili Target.

*SZX Target*

| **SZX Target**<br>(Incorporated in the PRC on 27 December 2012) | **For the year ended 31 December 2015**<br>(Unaudited)<br>*RMB'000* | **For the year ended 31 December 2016**<br>(Unaudited)<br>*RMB'000* | **For the nine months ended 30 September 2017**<br>(Unaudited)<br>*RMB'000* |
|---|---|---|---|
| Revenue | – | 64,688 | 75,222 |
| Loss before and after taxation | (6,916) | (49,421) | (4,125) |

The revenue generated by SZX Target for the year ended 31 December 2016 and the nine months ended 30 September 2017 was mainly due to the sales of transmissions to relevant research centers for testing and verification, to prepare for the commercial production commenced in October 2017. The unaudited net asset value of the SZX Target as at 30 September 2017 amounted to approximately RMB33,660,000. The net assets of the SZX Target as at 30 September 2017 comprised total assets of approximately RMB1,888.0 million and total liabilities of approximately RMB1,854.4 million. Total assets mainly comprised the SZX Land and Buildings, and machinery and equipment for manufacturing purposes of approximately RMB1,432.1 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities mainly comprised trade and other payables of approximately RMB1,854.4 million, which primarily represented the shareholder's loan from Geely Holding arisen from the construction costs of the SZX Land and Buildings and the acquisition costs of machinery and equipment.

## 2. CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS

**Powertrain Sales Agreement**

On 7 November 2017, the Company, LYNK & CO and Geely Holding entered into the Powertrain Sales Agreement for the sale by the Group of vehicle engines, transmissions and related after-sales parts manufactured by the Target Companies to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions. The information below sets out the key terms of the Powertrain Sales Agreement:

**Date:** 7 November 2017

**Parties:** The Company;
LYNK & CO; and
Geely Holding

LYNK & CO is a Chinese-foreign equity joint venture of the Company established in the PRC and is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI as at the Latest Practicable Date. Zhejiang Haoqing and VCI are owned as to 90% and 99%, respectively by Geely Holding. LYNK & CO is principally engaged in the manufacture and sale of LYNK & CO-branded vehicles, and the provision of after-sales parts.

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is beneficially wholly owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% interests in the total issued share capital of the Company as at the Latest Practicable Date.

**Subject matter:** Pursuant to the Powertrain Sales Agreement, the Group has agreed to sell vehicle engines, transmissions and related after-sales parts manufactured by the Target Companies to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions.

The sale of vehicle engines, transmissions and related after-sales parts by the Group to the LYNK & CO Group and the Geely Holding Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as applicable) the independent third parties to the Company.

**Pricing basis:** Pursuant to the Powertrain Sales Agreement, vehicle engines, transmissions and after-sales parts will be sold to the LYNK & CO Group and the Geely Holding Group at prices determined based on the formula below:

Selling price = C1 x (1+6%)

Where:

C1 = actual costs (including but not limited to raw material costs, labour costs, manufacturing costs (including water and electricity expenses, depreciation of plant and equipment, machine maintenance expenses, etc.), management costs (including amortization of research and development costs, staff salary and welfare expenses and office expenses, etc.) incurred for the manufacturing of vehicle engines, transmissions and after-sales parts plus related tax.

The margin rate of 6% was determined by the Company, LYNK & CO and Geely Holding after arm's length negotiation with reference to an independent report on the costs to profit ratios of the comparable companies that are principally engaged in the sales and manufacturing of vehicle engines, transmissions and/or their related parts and components prepared by PricewaterhouseCoopers China on 17 October 2017, which the Directors consider is fair and reasonable.

**Payment term:** All transactions contemplated under the Powertrain Sales Agreement shall be settled in cash within 90 days from product delivery.

**Term:** From 1 January 2018 to 31 December 2020

***Conditions precedent for the Powertrain Sales Agreement***

Completion of the Powertrain Sales Agreement is conditional upon (i) completion of the Acquisitions; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder. If the above conditions are not fulfilled within 60 calendar days from the date of the Powertrain Sales Agreement (or such later date as the parties may agree in writing), the Powertrain Sales Agreement will lapse and all the obligations and liabilities of the parties to the Powertrain Sales Agreement will cease and terminate.

***Powertrain Sales Annual Caps***

There are no historical figures for the transactions contemplated under the Powertrain Sales Agreement as the Group has not been selling vehicle engines, transmissions and related after-sales parts to the LYNK & CO Group and the Geely Holding Group. The table below sets out the proposed Powertrain Sales Annual Caps for each of the three years ending 31 December 2020:

| | Proposed annual caps for the year ending 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Sale of vehicle engines, transmissions and related after-sales parts | 9,179,760 | 14,556,510 | 15,661,070 |

***Basis of determination of the proposed annual caps***

The Powertrain Sales Annual Caps were determined by the Directors with reference to (i) the estimated number of units of vehicle engines, transmissions and related after-sales parts to be sold by the Group to the LYNK & CO Group and the Geely Holding Group based on the production capacity of the Baoji Target of 360,000 units of vehicle engines and after-sales parts per annum, the Yili Target of 400,000 units of vehicle engines and after-sales parts per annum and the SZX Target of 600,000 units of transmission and after-sales parts per annum, and the demand for such vehicle engines, transmissions and related after-sales parts which in turn was determined based on the projected production units of the vehicle models of the LYNK & CO Group and the Geely Holding Group that will be equipped with the vehicle engines and/or transmissions manufactured by the Target Companies, for the years ending 31 December 2018, 2019 and 2020; and (ii) the projected manufacturing cost of vehicle engines, transmissions and related after-sales parts for the years ending 31 December 2018, 2019 and 2020, respectively and the margin rate of 6% over such projected manufacturing costs as stated in the subsection headed "Powertrain Sales Agreement – Pricing basis". The increase in the Powertrain Sales Annual Caps for each of the two years ending 31 December 2020 is primarily due to the projected increase in the production volume of the aforementioned vehicle models of the LYNK & CO Group and the Geely Holding Group, which in turn is mainly contributed by the expected increase in the production volume of the existing vehicle models as well as the introduction of new vehicle models during the two years ending 31 December 2020.

The Board (including the independent non-executive Directors) is of the view that the Powertrain Sales Annual Caps for the three years ending 31 December 2020 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## 3. FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT

Reference is made to the Company's announcements dated 27 November 2009, 13 November 2015 and 18 October 2016 in relation to the Services Agreement, the original annual caps and the Revised Annual Caps (as defined below) for the years ending 31 December 2016, 2017 and 2018 under the Services Agreement.

The Services Agreement was entered into between the Company and Geely Holding on 27 November 2009 and has a term of 10 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. The relevant independent financial adviser 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. On 28 November 2016, the relevant original annual caps under the Services Agreement for the years ending 31 December 2016, 2017 and 2018 were revised ("**Revised Annual Caps**") and was approved by the then Independent Shareholders.

In view of the better-than-expected demand for the Group's products, the Board expects that the Revised Annual Caps under the Services Agreement for the two years ending 31 December 2018 will not be sufficient to meet the Company's requirements. Accordingly, the Board resolved to further revise the annual caps for (i) the sale of CKDs from the Group to the Geely Holding Group; and (ii) the purchase of CBUs from the Geely Holding Group by the Group for the two years ending 31 December 2018 under the Services Agreement. Save for the Further Revised Annual Caps, other terms of the Services Agreement remain unchanged.

The information below sets out, among others, the proposed Further Revised Annual Caps for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs from the Geely Holding Group by the Group under the Services Agreement for the two years ending 31 December 2018:

**Date:** 27 November 2009

**Parties:** The Company; and Geely Holding

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 beneficially wholly owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.02% interests in the total issued share capital of the Company as at the Latest Practicable Date.

**Term:** From 1 January 2010 to 31 December 2020

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

**(i) Sale of CKDs and Sedan Tool Kits by the Group to the Geely Holding Group**

**Subject matter:** Pursuant to the Services Agreement, the Group has 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 which shall be based on normal commercial terms and determined by the parties to the Services Agreement on arm's length basis and in compliance with the Listing Rules.

The additional services, subject to the Group's ability in providing such requested services, 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 no less favourable to the Company than terms available to or from (as applicable) independent third parties to the Company.

**Pricing basis:** Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling price of sedans to end customers, less distribution costs, costs of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes and water construction fund and stamp duty tax; consumption taxes applicable to the Group's vehicle models fall under different tax charge categories ranging from 1% 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 mainly 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. 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.

***Historical transaction amounts and proposed Further Revised Annual Caps***

The table below sets out the historical transaction amounts for the year ended 31 December 2016 and the ten months ended 31 October 2017, and the proposed Further Revised Annual Caps for the sale of CKDs by the Group to the Geely Holding Group pursuant to the Services Agreement for the two years ending 31 December 2018. The annual caps for the sale of Sedan Tool Kits for each of the three years ending 31 December 2018 pursuant to the Services Agreement will remain unchanged.

| | Historical transaction amount for the | | Revised Annual Caps announced on 18 October 2016 | | Proposed Further Revised Annual Caps for the year ending 31 December | |
|---|---|---|---|---|---|---|
| | year ended 31 December 2016 | ten months ended 31 October | 2017 | 2018 | 2017 | 2018 |
| | (Audited) | (Unaudited) | | | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Sale of CKDs | 50,617,641 | 65,753,292 | 78,909,319 | 100,974,729 | 88,760,850 | 121,382,040 |

***Basis of determination of the proposed annual caps***

The Further Revised Annual Caps for the sale of CKDs to the Geely Holding Group by the Group were determined by the Directors with reference to (i) the historical transaction amount for the ten months ended 31 October 2017; (ii) the projected sales of the Group for the remaining period of 2017 and the year ending 31 December 2018 having taken into account the better-than-expected sales performance of the Group for the ten months ended 31 October 2017; (iii) the projected average selling price to end customers for the remaining period of 2017 and the year ending 31 December 2018 based on the Group's vehicle retail price lists published by the Group for 2017 and 2018; and (iv) the applicable PRC tax rates and the projected distribution costs and other relevant costs and expenses for the remaining period of

2017 and the year ending 31 December 2018. With regard to the aforementioned strong sales orders expected to be received for the remaining period of year 2017, 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 2017, the management of the Company is confident that strong sales orders will continue to be received for the rest of year 2017 from distributors across the PRC. The increase in the Further Revised Annual Caps for the sale of CKDs to the Geely Holding by the Group for the year ending 31 December 2018 is mainly due to the increase in both the projected sales of the Group and the projected average selling price to end customers for the year ending 31 December 2018.

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

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

**Pricing basis:** Pursuant to the Services Agreement, the CBUs, depending on the models 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 no less favourable to the Company than terms available to or from (as applicable) independent third parties to the Company.

***Historical transaction amounts and proposed Further Revised Annual Caps***

The table below sets out the historical transaction amounts for the year ended 31 December 2016 and the ten months ended 31 October 2017, and the proposed Further Revised Annual Caps for the purchase of CBUs by the Group from the Geely Holding Group pursuant to the Services Agreement for the two 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 2018 will remain unchanged.

| | Historical transaction amount for the | | Revised Annual Caps announced on 18 October 2016 | | Proposed Further Revised Annual Caps for the year ending 31 December | |
|---|---|---|---|---|---|---|
| | year ended 31 December 2016 | ten months ended 31 October | 2017 | 2018 | 2017 | 2018 |
| | (Audited) | (Unaudited) | | | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Purchase of CBUs | 51,659,054 | 67,997,013 | 80,575,051 | 102,574,303 | 93,295,760 | 127,350,870 |

***Basis of determination of the proposed Further Revised Annual Caps***

The Further Revised Annual Caps for the purchase of CBUs by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the historical transaction amount for the ten months ended 31 October 2017; (ii) the projected sales of the Group for the remaining period of 2017 and the year ending 31 December 2018 having taken into account the better-than-expected sales performance of the Group for the ten months ended 31 October 2017; (iii) the projected average selling price to end customers for the remaining period of 2017 and the year ending 31 December 2018 based on the Group's vehicle retail price lists published by the Group for 2017 and 2018; and (iv) the project distribution costs for the remaining period of 2017 and the year ending 31 December 2018. The increase in the Further Revised Annual Caps for the purchase of CBUs by the Group from Geely Holding Group for the year ending 31 December 2018 is mainly due to the increase in both the projected sales of the Group and the projected average selling price to end customers for the year ending 31 December 2018.

Having considered the above and that the historical transaction amounts for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from Geely Holding Group for the ten months ended 31 October 2017 reached 83.3% and 84.4% of their respective Revised Annual Caps for the year ending 31 December 2017, and that the fourth quarter of a year is normally, and has been in the past few years, the peak season for passenger vehicle sales for the Group as well as the PRC passenger vehicle market in general, the Board (including the independent non-executive Directors) is of the view that the Further Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## REASONS FOR AND BENEFITS OF (I) THE ENTERING INTO OF THE ACQUISITION AGREEMENTS AND THE POWERTRAIN SALES AGREEMENT; AND (II) THE FURTHER REVISED ANNUAL CAPS UNDER THE SERVICES AGREEMENT

### (1) The Acquisition Agreements and the Powertrain Sales Agreement

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.

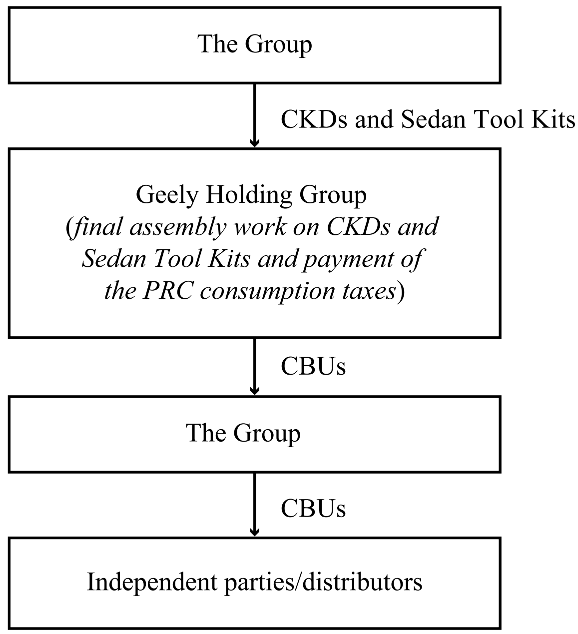
As disclosed in the section headed "INFORMATION ON THE TARGET COMPANIES", the Target Companies will be principally engaged in the manufacture and sale of vehicle engines, transmissions and related after-sales parts.

Upon completion of the Acquisitions, the vehicle engines and transmissions to be manufactured by the Target Companies will mainly be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the LYNK & CO Group for use in the LYNK & CO-branded vehicles, and will also be used in the Group's future top-end vehicle model at a later stage. In addition to being light weight and compact, the vehicle engines and transmissions to be manufactured by the Target Companies will possess advanced technologies and superior performance in terms of power output and fuel consumption (for engines) and transmission efficiency (for transmissions), that are targeted to meet the needs of the Group, the LYNK & CO Group and the Geely Holding Group for high performance and multi-functional vehicles. It is the current business plan of the Group to focus on, amongst others, developing the LYNK & CO brand, which is being marketed globally striving towards a premium position. The engines and transmissions to be manufactured by the Target Companies, which are designed for use in high performance and multi-functional vehicles, will mainly be used in the LYNK & CO-branded vehicles and, to a lesser extent, be used in the Volvo-branded vehicles for the next three years. It is expected that engines and transmissions to be manufactured by the Target Companies will also be used in the Group's future high-end vehicle models at a later stage. As such, the Powertrain Sales Annual Caps under the Powertrain Sales Agreement for the three years ending 31 December 2020 will mainly include sales of engines and transmissions to the LYNK & CO Group for use in the LYNK & CO-branded vehicles and, to a lesser extent, to the Geely Holding Group for use in Volvo-branded vehicles.

The total consideration for the Acquisitions is RMB1,833,200,000. Despite that as at 30 June 2017, the Group had bank balances and cash of RMB20.8 billion, and that the management of the Company does not consider there is better use of such RMB1,833,200,000, the total consideration for the Acquisitions is still a relatively substantial amount of capital commitment by the Group and will reduce the working capital of the Group. Notwithstanding the foregoing, having considered that the Acquisitions will enhance the Group's production capabilities and reduce its reliance on third party suppliers for vehicle engines and transmissions in the future, which in turn will enhance its competitiveness in terms of branding, cost control and pricing, and further strengthen its market position in the global automobile industry, the Board is of the view that the Acquisitions are in the interests of the Company and the Shareholders as a whole. The sale of vehicle engines, transmissions and related after-sales parts by the Group to the Geely Holding Group pursuant to the Powertrain Sales Agreement will also generate a stable revenue stream for the Group.

**(2) Further Revised Annual Caps under the Services Agreement**

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




Pursuant to the Services Agreement, the Group has agreed to supply to the Geely Holding Group CKDs and Sedan Tool Kits, and the Geely Holding Group has agreed to sell 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. Regarding the sale of CKDs and sedan tool kits to Geely Holding Group and the sale of CBUs by Geely Holding Group, the net financial effect on the Group is represented as the service cost of final assembly on the CKDs and the Sedan Tool kits charged by the Geely Holding Group and the relevant consumption taxes levied on the CBUs upon being sold back to the Group, which are included in the "Cost of sales" in the consolidated income statement of the Group. 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. As disclosed in the Company's announcement dated 6 November 2017, the total sales volume of the Group for the ten months ended 31 October 2017 was 952,226 units, representing an increase of approximately 72% from the same period last year, and achieving around 87% of the Group's revised full year sales volume target of 1,100,000 units in 2017. In view of the better-than-expected sales performance so far in 2017, as well as the fact that the fourth quarter of the year is normally the peak season for automobile sales, the Directors estimate the sale of CKDs and the purchase of CBUs for the years ending 31 December 2017 and 2018 will exceed the Revised Annual Caps for the two years ending 31 December 2018 under the Services Agreement.

The Board (including the independent non-executive Directors) considers that (1) the Acquisition Agreements and the transactions contemplated thereunder; (2) the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder; and (3) the Further Revised Annual Caps under the Services Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group (except for the Acquisitions), are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**Internal Control Measures in Relation to Pricing**

In order to ensure that the aforesaid pricing bases for the Powertrain Sales Agreement and the Services Agreement are adhered to, the Company will adopt and continue to adopt the following internal control measures:

***The Powertrain Sales Agreement***

For the sales of vehicle engines, transmissions and related after-sales parts by the Group to the Geely Holding Group upon completion of the Acquisitions, the operation departments of the Group will review the manufacturing costs as well as the applicable PRC taxes on a monthly basis to ensure the accuracy and completeness of the production costs of the vehicle engines, transmissions and related after-sales parts and will co-ordinate with the sales departments which will determine the monthly selling price according to the pricing policies of the Group. As such the Group could ensure that the selling price of the vehicle engines, transmissions and related after-sales parts are correctly determined. The finance and accounting departments of the Group will review the aforesaid works carried out by the operation departments and review the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Group and the Geely Holding Group will negotiate on a half-yearly basis (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.

***The Services Agreement***

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

For the sales of CKDs and Sedan Tool Kits by the Group, the operation departments of the Group will review the relevant cost items, which include mainly distribution costs, cost of Sedan Tool Kits, the applicable PRC taxes, and costs of other necessary and reasonable expenses and will coordinate with the sales department of the Group to ensure that the selling price of CKDs and Sedan Tool Kits are correctly determined. The finance and accounting departments of the Group will review the aforesaid works carried out by the operation departments and review the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Group and the Geely Holding Group will negotiate on a half-yearly basis (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 the Group 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 purchases of CBUs by the Group, the sales departments of the Group will keep track of the expected selling price of vehicles and relevant cost items, which mainly include distribution costs and review these information on a monthly basis, and determine the selling price of vehicles on a quarterly basis when the market is stable or more frequently if it is determined necessary to ensure the fairness of the sales price of CBUs. The finance and accounting departments of the Group will review the aforesaid works carried out by the sales departments on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. For the purchases 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 on a half-yearly basis (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 Powertrain Sales Agreement and 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 of the Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor review and confirm whether all continuing connected transactions have been approved by the Board; were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

## LISTING RULES IMPLICATIONS

### (a) Discloseable and connected transactions contemplated under the Acquisition Agreements

As at the Latest Practicable Date, both Zhejiang Geely and Shanghai Maple are owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. As such, each of Zhejiang Geely, Shanghai Maple and Geely Holding is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 44.02% interests in the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisitions in aggregate is more than 5%, the Acquisitions are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in respect of the Acquisitions in aggregate is more than 5% but less than 25%, the Acquisitions also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

**(b) Continuing connected transactions contemplated under the Powertrain Sales Agreement and continuing connected transactions under the Services Agreement**

As Geely Holding is a connected person of the Company, the transactions contemplated under the Powertrain Sales Agreement constitute continuing connected transactions for the Company.

As one or more of the applicable percentage ratios of the proposed Powertrain Sales Annual Caps under the Powertrain Sales Agreement exceed(s) 5% on an annual basis, the continuing connected transactions contemplated under the Powertrain Sales Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios of the Further Revised Annual Caps under the Services Agreement also exceed(s) 5% on an annual basis, the Further Revised Annual Caps under the Services Agreement are also subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Geely Holding is owned as to 90% by Mr. Li and Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui are directors of Geely Holding. Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Acquisition Agreements, the Powertrain Sales Agreement and the Services Agreement 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 Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement.

Mr. Li and his associates together holding 3,948,604,000 Shares (representing approximately 44.02% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,200,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 16,280,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement. 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 Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement. A notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Wednesday, 27 December 2017 at 4:30 p.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

**RECOMMENDATION**

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 91 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 44 to 45 of this circular.

The Board (including the independent non-executive Directors) considers that the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are entered into in the ordinary and usual course of business of the Group (save for the Acquisitions), on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

**ADDITIONAL INFORMATION**

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, which are respectively set out on pages 44 to 45 and pages 46 to 91 of this circular. Additional information is also set out in the appendices to this circular.

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

*The following is the text of the letter of recommendation from the Independent Board Committee to Independent Shareholders in relation to the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement prepared for the purpose of incorporation in this circular.*

GEELY

吉利汽車控股有限公司

**GEELY AUTOMOBILE HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

8 December 2017

*To the Independent Shareholders,*

Dear Sir or Madam,

## (1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS; (2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS; AND (3) FURTHER REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT

We refer to the circular dated 8 December 2017 (the "**Circular**") of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as an Independent Shareholder whether the Independent Board Committee is in the view that the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 43 of the Circular and the letter from the Independent Financial Adviser as set out on pages 46 to 91 of the Circular which contains, inter alia, their advice and recommendation to us regarding the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the

Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement with the principal factors and reasons for those advice and recommendation.

**RECOMMENDATION**

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are on normal commercial terms, and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group (save for the Acquisitions) and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement.

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*

*The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*

8 December 2017

*To: the Independent Board Committee and the Independent Shareholders of Geely Automobile Holdings Limited*

Dear Sirs,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS;**
**(2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS; AND**
**(3) FURTHER REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT**

## INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisition Agreements and the transactions contemplated thereunder; (ii) the Powertrain Sales Agreement and the transactions contemplated thereunder (including the Powertrain Sales Annual Caps); and (iii) the Further Revised Annual Caps, details of which, amongst other things, are set out in the letter from the board (the "**Letter from the Board**") contained in the circular to the Shareholders dated 8 December 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 7 November 2017 (after trading hours), Geely Luoyou, an indirect 99% owned subsidiary of the Company, entered into (i) the Baoji Acquisition Agreement with Zhejiang Geely pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the entire registered capital of the Baoji Target, for a consideration of RMB345,100,000; (ii) the Yili Acquisition Agreement with Zhejiang Geely and Shanghai Maple pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell, the entire registered capital of the Yili Target, for a consideration of RMB495,000,000; and (iii) the SZX Acquisition Agreement with Geely Holding pursuant to which Geely Luoyou has conditionally agreed to acquire, and Geely Holding has conditionally agreed to sell, the entire registered capital of the SZX Target, for a consideration of RMB993,100,000. With reference to the Letter from the Board, both Zhejiang Geely and Shanghai Maple are owned as to 90% by Geely Holding which in turn is beneficially wholly owned by Mr. Li and his associate. As such, each of Zhejiang Geely, Shanghai Maple and Geely Holding is an associate of

Mr. Li, an executive Director and a substantial Shareholder holding approximately 44.02% of the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company. Accordingly, the Acquisitions constitute disclosable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively. As such, the Acquisitions are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

On 7 November 2017, the Company also entered into the Powertrain Sales Agreement with LYNK & CO and Geely Holding pursuant to which the Group has conditionally agreed to sell vehicle engines, transmissions and after-sales parts manufactured by the Target Companies (the "**Target Products**") to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions for a term of three years from 1 January 2018 to 31 December 2020 (the "**Powertrain Sales Transactions**"). The proposed Powertrain Sales Annual Caps for the years ending 31 December 2018, 2019 and 2020 are RMB9,179,760,000, RMB14,556,510,000 and RMB15,661,070,000 respectively.

LYNK & CO is a joint venture of the Company and is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI as at the Latest Practicable Date. Zhejiang Haoqing and VCI are owned as to 90% and 99% respectively by Geely Holding. As Geely Holding is a connected person of the Company, the Powertrain Sales Transactions and the transactions contemplated under the Services Agreement (including the CKDs Transaction and the CBUs Transaction as defined in the section headed "Further Revised Annual Caps for the transactions contemplated under the Services Agreement" below) constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. As such, the Powertrain Sales Annual Caps and the Further Revised Annual Caps 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 on whether the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder (including the Powertrain Sales Annual Caps), and the Further Revised Annual Caps are conducted in the ordinary and usual course of business of the Group (save for the Acquisitions), on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders. We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Dakin Capital Limited 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 Dakin Capital Limited. In the last two years, there was no engagement between Dakin Capital Limited and any of the Group, the Geely Holding Group and the LYNK & CO Group. 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 and consideration. 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 have not made any independent evaluation or appraisal of the assets and liabilities of the Target Companies, and we have not been furnished with any such evaluation or appraisal, save and except for the Valuation Report as set out in Appendix I to the Circular. The Valuation Report was prepared by JLL. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the valuation of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings as at 30 September 2017.

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 or any of that advisers, 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, LYNK & CO or any of their respective subsidiaries or associates.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreements, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps, we have taken into account the following principal factors and reasons:

**1. THE ACQUISITIONS**

**1.1 Background of and reasons for the Acquisitions**

***(i) Business overview 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.

Geely Luoyou, an indirect 99% owned subsidiary of the Company, is principally engaged in production of automobile engines. The remaining 1% interest in Geely Luoyou is indirectly held by Geely Holding as at the Latest Practicable Date.

Set out below are the audited consolidated financial results of the Group for the two years ended 31 December 2016 as extracted from the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"):

| | **For the year ended 31 December** | | **Year on** |
|---|---|---|---|
| | **2015** | **2016** | **year change** |
| | *RMB'000* | *RMB'000* | *%* |
| Revenue | 30,138,256 | 53,721,576 | 78.3 |
| Gross profit | 5,470,653 | 9,841,717 | 80.0 |
| Profit for the year | 2,288,662 | 5,170,188 | 125.9 |

As depicted by the above table, the Group recorded a significant increase in revenue of approximately 78.3% for the year ended 31 December 2016 ("**FY2016**") as compared to the year ended 31 December 2015 ("**FY2015**"). The Group's gross profit and profit for the year also recorded substantial increases from FY2015 to FY2016. With reference to the 2016 Annual Report, the aforesaid improvements were mainly due to the increase in overall sales volume and stable profit margin.

To achieve its expansion plan objective, the Group has established a joint venture company "LYNK & CO" with Zhejiang Haoqing and VCI on 20 October 2017 to collaborate to develop and manufacture vehicles based on advanced engineering and technologies on new energy vehicles and related parts and components (including engines and transmissions) jointly developed by the Geely Holding Group and Volvo Car Corporation for sale under the brand name "LYNK & CO" in the PRC and overseas markets, details of which are set out in the announcement of the Company dated 4 August 2017. Please refer to the subsections headed "Reasons for and benefits of the Acquisitions" and "Background to and reasons for the Powertrain Sales Agreement and the Powertrain Sales Annual Caps" below for details in relation to LYNK & CO.

***(ii) Information on the Target Companies***

*Principal businesses of the Target Companies*

Baoji Target and Yili Target are private limited liability companies incorporated in the PRC on 16 December 2015 and 30 June 2015 respectively. They are principally engaged in the research, development, production and sales of vehicle engines and related after-sales parts in the PRC.

SZX Target is a private limited liability company incorporated in the PRC on 27 December 2012. It is principally engaged in the research, development, production and sales of transmissions and related after-sales parts in the PRC.

*Properties of the Target Companies*

(a) Baoji Target

As at the Latest Practicable Date, the Baoji Target holds an industrial complex located in Baoji City, Shaanxi Province, the PRC (i.e. the Baoji Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Baoji Land and Buildings comprised (i) one parcel of land with a total site area of approximately 217,582.67 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,156.70 sq.m., the construction of which was completed in 2017.

The manufacturing facilities of the Baoji Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 360,000 units of vehicle engines and related after-sales parts per annum.

(b) Yili Target

As at the Latest Practicable Date, the Yili Target holds an industrial complex located in Yiwu City, Zhejiang Province, the PRC (i.e. the Yili Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Yili Land and Buildings comprised (i) two parcels of land with a total site area of approximately 268,296.31 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,118.63 sq.m., the construction of which was completed in 2017.

The manufacturing facilities of the Yili Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 400,000 units of vehicle engines and related after-sales parts per annum.

(c) SZX Target

As at the Latest Practicable Date, the SZX Target holds an industrial complex located in Ningbo City, Zhejiang Province, the PRC (i.e. the SZX Land and Buildings). According to the Valuation Report, as at 30 September 2017, the SZX Land and Buildings comprised (i) two parcels of land with a total site area of approximately 222,489.80 sq.m.; (ii) 12 buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 71,323.81 sq.m., the construction of which was completed in 2017; and (iii) 10 buildings (including manufactory buildings, staff dormitories and ancillary buildings) which were under construction with a total planned gross floor area of 77,513.10 sq.m., the construction of which is expected to be completed in April 2019.

The manufacturing facilities of the SZX Target are currently undergoing standard operating procedures in preparation for commercial production which is expected to commence by the end of December 2017 and have a production capacity of approximately 600,000 units of transmission and related after-sales parts per annum upon full operation.

Please refer to the subsection headed "Basis of consideration – Valuation" below for details in relation to the valuation of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings (the "**Valuation**").

*Financial information on the Target Companies*

As extracted from the Letter from the Board, set out below are the unaudited financial information of the Baoji Target and the Yili Target for the year ended 31 December 2016 and the nine months ended 30 September 2017, and the unaudited financial information of the SZX Target for the two years ended 31 December 2016 and the nine months ended 30 September 2017 prepared under the HKFRS:

(a) Baoji Target

| | For the year ended 31 December 2016 (Unaudited) *RMB'000* | For the nine months ended 30 September 2017 (Unaudited) *RMB'000* |
|---|---|---|
| Revenue | – | – |
| Loss before and after taxation | (13,648) | (24,173) |

*Note:* The Baoji Target was incorporated in the PRC on 16 December 2015.

As stated in the Letter from the Board, as at 30 September 2017, the unaudited net asset value of the Baoji Target amounted to approximately RMB22,178,000. The net assets of the Baoji Target as at 30 September 2017 comprised total assets of approximately RMB2,383.0 million and total liabilities of approximately RMB2,360.8 million. Total assets mainly comprised the Baoji Land and Buildings and machinery and equipment for manufacturing purposes of approximately RMB1,782.6 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities mainly comprised trade and other payables of approximately RMB1,288.8 million, which primarily represented the shareholder's loan from Zhejiang Geely arisen from the construction costs of the Baoji Land and Buildings and the acquisition costs of machinery and equipment, and the deferred income in relation to the government subsidies of approximately RMB1,072.0 million received by the Baoji Target. As confirmed by the Company, there are no unfulfilled conditions or contingencies relating to the aforesaid government subsidies.

The Company confirmed that the Baoji Land and Buildings had a carrying value of approximately RMB185,148,900 as at 30 September 2017.

(b) Yili Target

| | For the year ended 31 December 2016 (Unaudited) *RMB'000* | For the nine months ended 30 September 2017 (Unaudited) *RMB'000* |
|---|---|---|
| Revenue | – | – |
| Loss before and after taxation | (6,570) | (34,761) |

*Note:* The Yili Target was incorporated in the PRC on 30 June 2015.

As stated in the Letter from the Board, as at 30 September 2017, the unaudited net asset value of the Yili Target amounted to approximately RMB58,446,000. The net assets of the Yili Target as at 30 September 2017 comprised total assets of approximately RMB1,270.2 million and total liabilities of approximately RMB1,211.8 million. Total assets mainly comprised the Yili Land and Buildings and machinery and equipment for manufacturing purposes of approximately RMB1,102.6 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities primarily comprised trade and other payables of approximately RMB661.8 million which mainly represented the shareholders' loan from Zhejiang Geely and Shanghai Maple arisen from the construction costs of the Yili Land and Buildings and the acquisition costs of machinery and equipment, and the deferred income in relation to the government subsidies of approximately RMB550.0 million received by the Yili Target. As confirmed by the Company, there are no unfulfilled conditions or contingencies relating to the aforesaid government subsidies.

The Company confirmed that the Yili Land and Buildings had a carrying value of approximately RMB203,556,000 as at 30 September 2017.

(c) SZX Target

| | **For the year ended 31 December** | | **For the nine months ended 30 September** |
|---|---|---|---|
| | **2015** | **2016** | **2017** |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | – | 64,688 | 75,222 |
| Loss before and after taxation | (6,916) | (49,421) | (4,125) |

*Note:* The SZX Target was incorporated in the PRC on 27 December 2012.

As stated in the Letter from the Board, the revenue generated by the SZX Target for the year ended 31 December 2016 and the nine months ended 30 September 2017 was mainly due to the sales of transmissions to relevant research centers for testing and verification purposes, preparing for the commercial production commenced in October 2017. It is also stated that as at 30 September 2017, the unaudited net asset value of the SZX Target amounted to approximately RMB33,660,000. The net assets of the SZX Target as at 30 September 2017 comprised total assets of approximately RMB1,888.0 million and total liabilities of approximately RMB1,854.4 million. Total assets mainly comprised the SZX Land and Buildings and machinery and equipment for manufacturing purposes of approximately RMB1,432.1 million (such value is accounted for under cost basis minus subsequent amortisation/depreciation). Total liabilities mainly comprised trade and other payables of approximately RMB1,854.4 million, which primarily represented the shareholder's loan from Geely Holding arisen from the construction costs of the SZX Land and Buildings and the acquisition costs of machinery and equipment.

The Company confirmed that the SZX Land and Buildings had a carrying value of approximately RMB245,574,000 as at 30 September 2017.

***(iii) Reasons for and benefits of the Acquisitions***

The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

The LYNK & CO Group is principally engaged in the manufacture and sale of LYNK & CO-branded vehicles, and the provision of after-sale parts.

The Target Companies are principally engaged in the research, development, production and sales of vehicle engines and transmissions as well as related after-sales parts in the PRC.

According to the 2016 Annual Report and the interim report of the Company for the six months ended 30 June 2017 (the "**2017 Interim Report**"), with the aim to enhance its competitiveness in both domestic and foreign markets and to penetrate different market segments, the Group has planned to extend its range of products through establishment of a joint venture with the Geely Holding Group which, in turn, is expected to foster sustainable and longer-term business growth. The Company confirmed that the vehicle engines currently produced by the Group are only for production of its existing models purpose, but not for external sale. The Company further confirmed that the Group currently has no production facilities to manufacture transmissions for use in any vehicle powertrain system. Nevertheless, in light of the continuous growing demand in the PRC automobile industry, it has always been the business strategy of the Group to extend its business scope to, amongst others, production and sale of advanced vehicle engines (including gasoline engines, hybrid engines and electric version engines) and transmissions.

It is disclosed in the Letter from the Board that in addition to being light weight and compact, the vehicles engines and transmissions to be manufactured by the Target Companies will possess advanced technologies and superior performance in terms of power output and fuel consumption (for engines) and transmission efficiency (for transmissions), that are targeted to meet the needs of the Group, the LYNK & CO Group and the Geely Holding Group for high performance and multi-functional vehicles. We noted that upon completion of the Acquisitions, the vehicles engines and transmissions to be manufactured by the Target Companies will mainly be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the LYNK & CO Group for use in the LYNK & CO-branded vehicles under the Powertrain Sales Agreement, and will also be used in the Group's future high-end vehicle models at a later stage. The Company confirmed that the Target Companies will have a product mix consisting of a range of gas-powered engines, hybrid engines, electric version engines and transmissions that will meet the powertrain specifications set for the existing models of the LYNK & CO-branded vehicles as well as the forthcoming new models of LYNK & CO-branded vehicles and Volvo-branded vehicles.

As advised by the management of the Group, the existing LYNK & CO models were, and each of the forthcoming line-up of LYNK & CO-branded vehicles will be, designed and developed based on the engineering and technology developed under the research innovation center jointly established and operated by the Geely Holding Group and Volvo Car Corporation, which is also expected to underpin certain new Volvo-branded vehicle range and the upcoming models. Given that the Group is conversant with the overall product design (including the performance requirements) of LYNK & CO-branded vehicles and certain Volvo-branded vehicles, the Directors consider that the Acquisitions represent good opportunities for the Group to capitalise on its knowledge specifically related to the powertrain systems of LYNK & CO-branded vehicles and certain Volvo-branded vehicles, and the business opportunities arising therefrom are expected to generate a new stream of revenue for the Group.

Notwithstanding the above, the Company has confirmed to us that the long-term goal of the Acquisitions is not only to facilitate the production of the powertrain systems of LYNK & CO-branded and/or Volvo-branded vehicles, but rather, to enhance the Group's production capabilities so as to reduce the Group's reliance on third party suppliers for advanced vehicle engines and transmissions in the future, which in turn will enhance the Group's competitiveness in terms of cost control and pricing, and further strengthen its market position in the global automobile industry.

**1.2 Principal terms of the Acquisition Agreements**

***(i) Baoji Acquisition***

The principal terms of the Baoji Acquisition Agreement are set out below:

*Date*

7 November 2017 (after trading hours)

*Parties*

Vendor: Zhejiang Geely
Purchaser: Geely Luoyou

*Subject matter*

Pursuant to the Baoji Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the entire registered capital of the Baoji Target.

*Consideration*

The consideration for the Baoji Acquisition is RMB345,100,000, which will be payable in cash within 60 calendar days from the date of completion of the Baoji Acquisition.

As set out in the Letter from the Board, the consideration for the Baoji Acquisition was determined after arm's length negotiations between Geely Luoyou and Zhejiang Geely with reference to (i) the net asset value of the Baoji Target prepared under the HKFRS as at 30 September 2017 of approximately RMB22.2 million; (ii) the valuation premium of the Baoji Land and Buildings of approximately RMB82.9 million (the "**Baoji Valuation Premium**"), being the difference between the Baoji Property Valuation (as defined in the subsection headed "Basis of consideration – Valuation" below) and the carrying value of the Baoji Land and Buildings as at 30 September 2017; and (iii) the capital contribution of RMB240.0 million made by Zhejiang Geely into the Baoji Target in November 2017. It is expected that the consideration for the Baoji Acquisitions will be funded by the internal resources of the Group.

Having considered that the unaudited net asset value of the Baoji Target as at 30 September 2017 did not take into account the Baoji Valuation Premium which represents the excess in value that JLL estimated for the Baoji Land and Buildings based on the Baoji Property Valuation compared to its carrying value as at 30 September 2017, we concurred with the Directors' view that it is fair and reasonable for the Company to make reference to, among others, the Baoji Valuation Premium when determining the consideration for the Baoji Acquisition. Please refer to the subsection headed "Basis of consideration – Valuation" below and the Valuation Report as set out in Appendix I to the Circular for details in relation to the valuation of Baoji Land and Buildings.

As set out in the Letter from the Board, on 30 November 2017, Zhejiang Geely had made a capital contribution in the amount of RMB240.0 million into the Baoji Target for the development and general working capital of the Baoji Target and accordingly the registered capital of the Baoji Target increased from RMB60.0 million to RMB300.0 million pursuant to the shareholder's resolution for the Baoji Target.

*Shareholder's loan*

Pursuant to the Baoji Acquisition Agreement, the outstanding shareholder's loan of the Baoji Target in the amount of up to a maximum of RMB985.1 million on the completion date of the Baoji Acquisition (the "**Baoji Shareholder's Loan**") will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the Baoji Acquisition. The Company confirmed that the above maximum total repayment amount of the Baoji Shareholder's Loan was determined based on the outstanding amount of the Baoji Shareholder's Loan as at 30 September 2017 of

RMB985.1 million. As stated in the Letter from the Board, the Baoji Shareholder's Loan is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

*Undertaking in respect of the Baoji Land and Buildings*

As stated in the Valuation Report, the Baoji Target (i) held one state-owned land use rights certificate, one construction land planning permit, one construction work planning permit and one construction work commencement permit for the Baoji Land and Buildings; and (ii) had not obtained title certificates for the nine buildings comprising the Baoji Land and Buildings (the "**Baoji Properties Without Title**"). According to the legal opinions regarding the Baoji Land and Buildings from the PRC legal advisor to the Company (the "**Baoji PRC Legal Opinion**"), (i) the land use rights of the Baoji Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress upon completion of the final inspection and acceptance procedure by the relevant authorities. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Baoji Target has completed the construction completion inspection and acceptance procedures, and is in the process of completing the fire safety inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for fire safety, environmental protection and public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the Baoji Target will apply for the title certificates for the Baoji Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the Baoji Target will be given a certain period of time to rectify such deficiencies. Barring any unforeseen circumstances, as at the Latest Practicable Date, the Directors did not foresee any material impediments for completing the above inspection and acceptance procedures and expected that the said title certificates for the Baoji Properties Without Title will be obtained on or before 31 December 2018 after taking into account (i) the Baoji PRC Legal Opinion; (ii) the granting of the title certificates of the Baoji Properties Without Title is subject to regulatory inspection and acceptance procedures which are still in progress as detailed above while the Baoji Target has been proactively keeping track of the progress; and (iii) no verbal or written objection or negative comments concerning the ongoing inspection of the Baoji Properties Without Title from any of the relevant PRC government authorities had been received by the Baoji Target as at the Latest Practicable Date.

Pursuant to the Baoji Acquisition Agreement, in the event that any of the title certificates for the Baoji Properties Without Title have not been obtained on or before 31 December 2018 (the "**Baoji Grace Period**"), Zhejiang Geely shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Baoji Properties Without Title (the "**Baoji Indemnity Provision**"), and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Baoji Acquisition (the "**Baoji Penalty Provision**", together with the Baoji Indemnity Provision, hereinafter collectively referred to as the "**Baoji Compensation Arrangement**"). The Company confirmed that the aforesaid annual interest rate of 4.35% was determined after arm's length negotiations among Zhejiang Geely, the Company and Geely Luoyou with reference to the prevailing interest rate of 4.35% on a short term loan (within one year), offered by a commercial bank in the PRC. In this regard, we have performed independent desktop search and noted that the prevailing interest rates of short term loans (within one year), which are of maturity periods that are in line with the Baoji Grace Period, offered by the People's Bank of China and several other commercial banks in the PRC are all 4.35%. Therefore, we are of the view that the penalty under the Baoji Penalty Provision calculated based on an annual interest rate of 4.35% of the consideration for the Baoji Acquisition is fair and reasonable. As further confirmed by the Company, notwithstanding that the amount of the potential loss subject to the Baoji Indemnity Provision is currently uncertain, such loss is fully indemnified with retrospective effect since date of completion of the Baoji Acquisition and will be reimbursed based on the actual total loss to be incurred by the Company and Geely Luoyou from not being able to obtain the title certificates of the Baoji Properties Without Title (such as any fines imposed to the Group by the relevant authorities) and/or to use the Baoji Properties Without Title (such as the cost of relocation to the Group), which in turn will be determined with reference to a loss assessment performed by an independent professional valuer. The Company confirmed that as at the Latest Practicable Date, no independent professional valuer had been identified and/or appointed by any parties to the Baoji Acquisition Agreement for the purpose of performing the said loss assessment and it is its current intention to appoint an independent professional valuer as soon as practicable upon the occurrence of such loss. As further confirmed by the Company, any such loss shall be fully indemnified with retrospective effect since date of completion of the Baoji Acquisition by Zhejiang Geely in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the relevant independent professional valuer. We noted that the Baoji Indemnity Provision and the Baoji Penalty Provision serve to safeguard the Company and/or Geely Luoyou against, and also compensate for, any loss associated with the failure to obtain any of the relevant outstanding title certificates and/or not being able to use the Baoji Properties Without Title. Given this and in particular (i) the Baoji Indemnity Provision provides security for financial reimbursement to the Company and Geely Luoyou in case of any loss incurred resulting from not being able to obtain the title certificates and/or to use the Baoji Properties Without Title; (ii) such loss will be fully indemnified with retrospective effect since date of completion of the Baoji Acquisition pursuant to the Baoji Indemnity Provision based on the actual total loss amount which will be determined with reference to a loss assessment performed by an independent professional valuer; (iii) the indemnity under the Baoji Indemnity Provision will be paid in the form of cash in full; and (iv) the annual interest rate adopted under the Baoji Penalty Provision which is considered to be fair and reasonable is same as the prevailing 4.35% annual interest rate of each of the aforementioned reference loans, we consider the Baoji Compensation Arrangement to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

On the basis that (i) the Baoji PRC Legal Opinion stating that the Baoji Properties Without Title are in compliance with the relevant laws and that there are no material legal impediments in obtaining the title certificates for the Baoji Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities; (ii) the Company's expected date of obtaining such outstanding title certificates (being on or before 31 December 2018) and the factors considered as described above; (iii) the Baoji Compensation Arrangement which is considered to be fair and reasonable has been put in place for full indemnity with retrospective effect since date of completion of the Baoji Acquisition against the risk of unforeseen loss for lack of the title certificates of the Baoji Properties Without Title; and (iv) the aforementioned factors considered for determining the fairness and reasonableness of the Baoji Compensation Arrangement, we consider that the lack of the relevant title certificates with its inherent risks of loss borne by the Company and Geely Luoyou would not affect the fairness and reasonableness of the Baoji Acquisition and the consideration relating thereto.

***(ii) Yili Acquisition***

The principal terms of the Yili Acquisition Agreement are set out below:

*Date*

7 November 2017 (after trading hours)

*Parties*

Vendor: Zhejiang Geely and Shanghai Maple
Purchaser: Geely Luoyou

*Subject matter*

Pursuant to the Yili Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell, the entire registered capital of the Yili Target.

*Consideration*

The consideration for the Yili Acquisition is RMB495,000,000, which will be payable in cash within 60 calendar days from the date of completion of the Yili Acquisition.

As set out in the Letter from the Board, the consideration for the Yili Acquisition was determined after arm's length negotiations among Geely Luoyou, Zhejiang Geely and Shanghai Maple with reference to (i) the net asset value of the Yili Target prepared under the HKFRS as at 30 September 2017 of approximately RMB58.4 million; (ii) the valuation premium of the Yili Land and Buildings of approximately RMB36.6 million (the "**Yili Valuation Premium**"), being the difference between the Yili Property Valuation (as defined in the subsection headed "Basis of consideration – Valuation" below) and the carrying value of the Yili Land and Buildings as at 30 September 2017; and (iii) the capital contribution of RMB400.0 million made by Zhejiang Geely and Shanghai Maple into the Yili Target in November 2017. It is expected that the consideration for the Yili Acquisition will be funded by the internal resources of the Group.

Having considered that the unaudited net asset value of the Yili Target as at 30 September 2017 did not take into account the Yili Valuation Premium which represents the excess in value that JLL estimated for the Yili Land and Buildings based on the Yili Property Valuation compared to its carrying value as at 30 September 2017, we concurred with the Directors' view that it is fair and reasonable for the Company to make reference to, among others, the Yili Valuation Premium when determining the consideration for the Yili Acquisition. Please refer to the subsection headed "Basis of consideration – Valuation" below and the Valuation Report as set out in Appendix I to the Circular for details in relation to the valuation of Yili Land and Buildings.

As set out in the Letter from the Board, on 29 November 2017, Zhejiang Geely and Shanghai Maple had made a capital contribution in the amount of RMB400.0 million in proportion to their respective shareholding into the Yili Target for the development and general working capital of the Yili Target and accordingly the registered capital of the Yili Target increased from RMB100.0 million to RMB500.0 million pursuant to the shareholder's resolution for the Yili Target.

*Shareholder's loan*

Pursuant to the Yili Acquisition Agreement, the outstanding shareholder's loan of the Yili Target in the amount of up to a maximum of RMB476.4 million on the completion date of the Yili Acquisition (the "**Yili Shareholder's Loan**") will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the Yili Acquisition. The Company confirmed that the above maximum total repayment amount of the Yili Shareholder's Loan was determined based on the outstanding amount of the Yili Shareholder's Loan as at 30 September 2017 of RMB476.4 million. As stated in the Letter from the Board, the Yili Shareholder's Loan is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

*Undertaking in respect of the Yili Land and Buildings*

As stated in the Valuation Report, the Yili Target (i) held two real estate rights certificates, two construction work planning permits and one construction work commencement permit for the Yili Land and Buildings; and (ii) had not obtained title certificates for nine buildings comprising the Yili Land and Buildings (the "**Yili Properties Without Title**"). According to the legal opinions regarding the Yili Land and Buildings from the PRC legal advisor to the Company (the "**Yili PRC Legal Opinion**"), (i) the land use rights of the Yili Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress is in compliance with the relevant laws in principle; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Yili Target has completed the construction completion inspection and acceptance procedures, and is in the process of completing the fire safety inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for fire safety, environmental protection and public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the Yili Target will apply for the title certificates for the Yili Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the Yili Target will be given a certain period of time to rectify such deficiencies. Barring any unforeseen circumstances, as at the Latest Practicable Date, the Directors did not foresee any material impediments for completing the above inspection and acceptance procedures and expected that the said title certificates for the Yili Properties Without Title will be obtained on or before 31 December 2018 after taking into account (i) the Yili PRC Legal Opinion; (ii) the granting of the title certificates of the Yili Properties Without Title is subject to regulatory inspection and acceptance procedures which are still in progress as detailed above while the Yili Target has been proactively keeping track of the progress; and (iii) no verbal or written objection or negative comments concerning the ongoing inspection of the Yili Properties Without Title from any of the relevant PRC government authorities had been received by the Yili Target as at the Latest Practicable Date.

Pursuant to the Yili Acquisition Agreement, in the event that any of the title certificates for the Yili Properties Without Title have not been obtained on or before 31 December 2018 (the “**Yili Grace Period**”), Zhejiang Geely and Shanghai Maple shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the Yili Properties Without Title (the “**Yili Indemnity Provision**”), and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Yili Acquisition (the “**Yili Penalty Provision**”, together with the Yili Indemnity Provision, hereinafter collectively referred to as the “**Yili Compensation Arrangement**”). The Company confirmed that the aforesaid annual interest rate of 4.35% was determined after arm’s length negotiations among Zhejiang Geely, Shanghai Maple, the Company and Geely Luoyou with reference to the prevailing interest rate of 4.35% on a short term loan (within one year), offered by a commercial bank in the PRC. In this regard, we have performed independent desktop search and noted that the prevailing interest rates of short term loans (within one year), which are of maturity periods that are in line with the Yili Grace Period, offered by the People’s Bank of China and several other commercial banks in the PRC are all 4.35%. Therefore, we are of the view that the penalty under the Yili Penalty Provision calculated based on an annual interest rate of 4.35% of the consideration for the Yili Acquisition is fair and reasonable. As further confirmed by the Company, notwithstanding that the amount of the potential loss subject to the Yili Indemnity Provision is currently uncertain, such loss is fully indemnified with retrospective effect since date of completion of the Yili Acquisition and will be reimbursed based on the actual total loss to be incurred by the Company and Geely Luoyou from not being able to obtain the title certificates of the Yili Properties Without Title (such as any fines imposed to the Group by the relevant authorities) and/or to use the Yili Properties Without Title (such as the cost of relocation to the Group), which in turn will be determined with reference to a loss assessment performed by an independent professional valuer. The Company confirmed that as at the Latest Practicable Date, no independent professional valuer had been identified and/or appointed by any parties to the Yili Acquisition Agreement for the purpose of performing the said loss assessment and it is its current intention to appoint an independent professional valuer as soon as practicable upon the occurrence of such loss. As further confirmed by the Company, any such loss shall be fully indemnified with retrospective effect since date of completion of the Yili Acquisition by Zhejiang Geely and Shanghai Maple in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the relevant independent professional valuer. We noted that the Yili Indemnity Provision and the Yili Penalty Provision serve to safeguard the Company and/or Geely Luoyou against, and also compensate for, any loss associated with the failure to obtain any of the relevant outstanding title certificates and/or not being able to use the Yili Properties Without Title. Given this and in particular (i) the Yili Indemnity Provision provides security for financial reimbursement to the Company and Geely Luoyou in case of any loss incurred resulting from not being able to obtain the title certificates and/or to use the Yili Properties Without Title; (ii) such loss will be fully indemnified with retrospective effect since date of completion of the Yili Acquisition pursuant to the Yili Indemnity Provision based on the actual total loss amount which will be determined with reference to a loss assessment performed by an independent professional valuer; (iii) the indemnity under the Yili Indemnity Provision will be paid in the form of cash in full; and (iv) the annual interest rate adopted under the Yili Penalty Provision which is considered to be fair and reasonable is same as the prevailing 4.35% annual interest rate of each of the aforementioned reference loans, we consider the Yili Compensation Arrangement to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

On the basis that (i) the Yili PRC Legal Opinion stating that the Yili Properties Without Title are in compliance with the relevant laws and that there are no material legal impediments in obtaining the title certificates for the Yili Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities; (ii) the Company's expected date of obtaining such outstanding title certificates (being on or before 31 December 2018) and the factors considered as described above; (iii) the Yili Compensation Arrangement which is considered to be fair and reasonable has been put in place for full indemnity with retrospective effect since date of completion of the Yili Acquisition against the risk of unforeseen loss for lack of the title certificates of the Yili Properties Without Title; and (iv) the aforementioned factors considered for determining the fairness and reasonableness of the Yili Compensation Arrangement, we consider that the lack of the relevant title certificates with its inherent risks of loss borne by the Company and Geely Luoyou would not affect the fairness and reasonableness of the Yili Acquisition and the consideration relating thereto.

***(iii) SZX Acquisition***

The principal terms of the SZX Acquisition Agreement are set out below:

*Date*

7 November 2017 (after trading hours)

*Parties*

Vendor: Geely Holding
Purchaser: Geely Luoyou

*Subject matter*

Pursuant to the SZX Acquisition Agreement, Geely Luoyou has conditionally agreed to acquire, and Geely Holding has conditionally agreed to sell, the entire registered capital of the SZX Target.

*Consideration*

The consideration for the SZX Acquisition is RMB993,100,000, which will be payable in cash within 60 calendar days from the date of completion of the SZX Acquisition.

As set out in the Letter from the Board, the consideration for the SZX Acquisition was determined after arm's length negotiations between Geely Luoyou and Geely Holding with reference to (i) the net asset value of the SZX Target prepared under the HKFRS as at 30 September 2017 of approximately RMB33.7 million; (ii) the valuation premium of the SZX Land and Buildings of approximately RMB64.4 million (the "**SZX Valuation Premium**"), being the difference between the SZX Property Valuation (as defined in the subsection headed "Basis of consideration – Valuation" below) and the carrying value of the SZX Land and Buildings as at 30 September 2017; and (iii) the capital contribution of RMB895.0 million made by Geely Holding into the SZX Target in November 2017. It is expected that the consideration for the SZX Acquisition will be funded by the internal resources of the Group.

Having considered that the unaudited net asset value of the SZX Target as at 30 September 2017 did not take into account the SZX Valuation Premium which represents the excess in value that JLL estimated for the SZX Land and Buildings based on the SZX Property Valuation compared to its carrying value as at 30 September 2017, we concurred with the Directors' view that it is fair and reasonable for the Company to make reference to, among others, the SZX Valuation Premium when determining the consideration for the SZX Acquisition. Please refer to the subsection headed "Basis of consideration-Valuation" below and the Valuation Report as set out in Appendix I to the Circular for details in relation to the valuation of SZX Land and Buildings.

As set out in the Letter from the Board, on 27 November 2017, Geely Holding had made a capital contribution in the amount of RMB895.0 million into the SZX Target for the development and general working capital of the SZX Target and accordingly the registered capital of the SZX Target increased from RMB105.0 million to RMB1.0 billion pursuant to the shareholder's resolution for the SZX Target.

*Shareholder's loan*

Pursuant to the SZX Acquisition Agreement, the outstanding shareholder's loan of the SZX Target in the amount of up to a maximum of RMB1,675.8 million on the completion date of the SZX Acquisition (the "**SZX Shareholder's Loan**") will be repaid by the Group to the Geely Holding Group within 12 months from the completion of the SZX Acquisition. The Company confirmed that the above maximum total repayment amount of the SZX Shareholder's Loan was determined based on the outstanding amount of the SZX Shareholder's Loan as at 30 September 2017 of RMB1,675.8 million. As stated in the Letter from the Board, the SZX Shareholder's Loan is interest free, conducted on normal commercial terms and is not secured by the assets of the Group.

*Undertaking in respect of the SZX Land and Buildings*

As stated in the Valuation Report, the SZX Target (i) held one state-owned land use rights certificate, one real estate title certificate, two construction land planning permits, two construction work planning permits and three construction work commencement permits for the SZX Land and Buildings; and (ii) had not obtained title certificates for the 12 buildings and 10 buildings (which were under construction) comprising the SZX Land and Buildings (the "**SZX Properties Without Title**"). According to the legal opinions regarding the SZX Land and Buildings from the PRC legal advisor to the Company (the "**SZX PRC Legal Opinion**"), (i) the land use rights of the SZX Target are true, legal and effective, free of guarantee and pledge; (ii) the buildings and construction in progress held by the SZX Target is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the buildings and the construction in progress held by the SZX Target upon completion of the final inspection and acceptance procedure by the relevant authorities. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the SZX Target has completed the construction completion, fire safety and environmental protection inspection and acceptance procedures, and is in the process of completing the public security inspection and acceptance procedures. Upon completing the relevant inspection and acceptance procedures for public security, as well as the filing of the relevant documents (such as estate surveying and mapping) with the relevant authorities, the SZX Target will apply for the title certificates for the SZX

Properties Without Title. In the event that any deficiencies are identified during the above inspection and acceptance procedures, the SZX Target will be given a certain period of time to rectify such deficiencies. Barring any unforeseen circumstances, as at the Latest Practicable Date, the Directors did not foresee any material impediments for completing the above inspection and acceptance procedures and expected that the said title certificates for the SZX Properties Without Title will be obtained on or before 31 December 2018 after taking into account (i) the SZX PRC Legal Opinion; (ii) the granting of the title certificates of the SZX Properties Without Title is subject to regulatory inspection and acceptance procedures which are still in progress as detailed above while the SZX Target has been proactively keeping track of the progress; and (iii) no verbal or written objection or negative comments concerning the ongoing inspection of the SZX Properties Without Title from any of the relevant PRC government authorities had been received by the SZX Target as at the Latest Practicable Date.

Pursuant to the SZX Acquisition Agreement, in the event that any of the title certificates for the SZX Properties Without Title have not been obtained on or before 31 December 2018 (the "**SZX Grace Period**"), Geely Holding shall indemnify Geely Luoyou and the Company for any loss that the Group may suffer as a result of not being able to obtain the title certificates and/or to use the SZX Properties Without Title (the "**SZX Indemnity Provision**"), and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the SZX Acquisition (the "**SZX Penalty Provision**", together with the SZX Indemnity Provision, hereinafter collectively referred to as the "**SZX Compensation Arrangement**"). The Company confirmed that the aforesaid annual interest rate of 4.35% was determined after arm's length negotiations among Geely Holding, the Company and Geely Luoyou with reference to the prevailing interest rate of 4.35% on a short term loan (within one year), offered by a commercial bank in the PRC. In this regard, we have performed independent desktop search and noted that the prevailing interest rates of short term loans (within one year), which are of maturity periods that are in line with the SZX Grace Period, offered by the People's Bank of China and several other commercial banks in the PRC are all 4.35%. Therefore, we are of the view that the penalty under the SZX Penalty Provision calculated based on an annual interest rate of 4.35% of the consideration for the SZX Acquisition is fair and reasonable. As further confirmed by the Company, notwithstanding that the amount of the potential loss subject to the SZX Indemnity Provision is currently uncertain, such loss is fully indemnified with retrospective effect since date of completion of the SZX Acquisition and will be reimbursed based on the actual total loss to be incurred by the Company and Geely Luoyou from not being able to obtain the title certificates of the SZX Properties Without Title (such as any fines imposed to the Group by the relevant authorities) and/or to use the SZX Properties Without Title (such as the cost of relocation to the Group), which in turn will be determined with reference to a loss assessment performed by an independent professional valuer. The Company confirmed that as at the Latest Practicable Date, no independent professional valuer had been identified and/or appointed by any parties to the SZX Acquisition Agreement for the purpose of performing the said loss assessment and it is its current intention to appoint an independent professional valuer as soon as practicable upon the occurrence of such loss.

As further confirmed by the Company, any such loss shall be fully indemnified with retrospective effect since date of completion of the SZX Acquisition by Geely Holding in cash as soon as practicable but in any event not later than 10 business days upon the issuance of the above loss assessment results by the relevant independent professional valuer. We noted that the SZX Indemnity Provision and the SZX Penalty Provision serve to safeguard the Company and/or Geely Luoyou against, and also compensate for, any loss associated with the failure to obtain any of the relevant outstanding title certificates and/or not being able to use the SZX Properties Without Title. Given this and in particular (i) the SZX Indemnity Provision provides security for financial reimbursement to the Company and Geely Luoyou in case of any loss incurred resulting from not being able to obtain the title certificates and/or to use the SZX Properties Without Title; (ii) such loss will be fully indemnified with retrospective effect since date of completion of the SZX Acquisition pursuant to the SZX Indemnity Provision based on the actual total loss amount which will be determined with reference to a loss assessment performed by an independent professional valuer; (iii) the indemnity under the SZX Indemnity Provision will be paid in the form of cash in full; and (iv) the annual interest rate adopted under the SZX Penalty Provision which is considered to be fair and reasonable is same as the prevailing 4.35% annual interest rate of each of the aforementioned reference loans, we consider the SZX Compensation Arrangement to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

On the basis that (i) the SZX PRC Legal Opinion stating that the SZX Properties Without Title are in compliance with the relevant laws and that there are no material legal impediments in obtaining the title certificates for the SZX Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities; (ii) the Company's expected date of obtaining such outstanding title certificates (being on or before 31 December 2018) and the factors considered as described above; (iii) the SZX Compensation Arrangement which is considered to be fair and reasonable has been put in place for full indemnity with retrospective effect since date of completion of the SZX Acquisition against the risk of unforeseen loss for lack of the title certificates of the SZX Properties Without Title; and (iv) the aforementioned factors considered for determining the fairness and reasonableness of the SZX Compensation Arrangement, we consider that the lack of the relevant title certificates with its inherent risks of loss borne by the Company and Geely Luoyou would not affect the fairness and reasonableness of the SZX Acquisition and the consideration relating thereto.

***(iv) Basis of consideration***

*Valuation*

The Company has appointed a qualified appraisal company in Hong Kong, namely JLL, to perform the Valuation as at 30 September 2017 and issue the Valuation Report. To ascertain JLL is suitably qualified possessing related experiences and competence to undertake the Valuation, we have reviewed and enquired into (i) the terms of engagement stipulated under the mandate letter entered into between JLL and the Company in relation to the Valuation that comply with the Listing Rules and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; (ii) JLL's qualifications and experiences that are relevant to the Valuation; and (iii) the due diligence measures taken by JLL in respect of the Valuation mainly including (a) site inspection (including the exterior and, where possible, the interior of the properties); (b) making relevant enquiries on copies of the title documents relating to the property interests which were shown to JLL; (c) examination of original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment; (d) reference made to the Baoji PRC Legal Opinion, the Yili PRC Legal Opinion and the SZX PRC Legal Opinion; (e) review of the sales evidence as available in the locality which serves as reference for valuing the land portion of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings. JLL has also confirmed that it is independent from any member of the Group or the Geely Holding Group. Based on the aforesaid due diligence review and enquiry and given the fact that (i) JLL is an independent professional valuer which has completed various assignments for companies listed on the Stock Exchange; (ii) the person in charge of the Valuation (including preparation of the Valuation Report) (a) has 24 years' experience in the valuation of various types of properties in more than 10 provinces in the PRC; and (b) is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors, we are satisfied with the scope of work of JLL as well as JLL's qualifications and experiences that are sufficient and relevant to the Valuation, and therefore consider that JLL is experienced and competent in performing the Valuation and preparing the Valuation Report.

According to the Valuation Report and as confirmed by JLL, the market value of the land and ancillary structures portions of the Baoji Land and Buildings was RMB74,120,000 as at 30 September 2017. In the valuation of the Baoji Land and Buildings, JLL has been provided with the Baoji PRC Legal Opinion and attributed no commercial value to the buildings portion of the Baoji Land and Buildings without title certificates (i.e. the Baoji Properties Without Title). However, for reference purpose, JLL was of the opinion that the market value of the Baoji Properties Without Title as at 30 September 2017 would be RMB193,930,000 (together with the market value of the land and ancillary structures portions of the Baoji Land and Buildings of RMB74,120,000, collectively referred to as the "**Baoji Property Valuation**") assuming all title certificates had been obtained and they could be freely transferred. According to the Baoji PRC Legal Opinion, there are no material legal impediments in obtaining the title certificates for the Baoji Properties Without Title upon completion of the final inspection and acceptance procedure by the relevant authorities.

Based on the above, the Baoji Property Valuation of approximately RMB268,050,000 exceeds the carrying value of the Baoji Land and Buildings as at 30 September 2017 of approximately RMB185,148,900 by approximately RMB82.9 million (i.e. the Baoji Valuation Premium).

According to the Valuation Report and as confirmed by JLL, the market value of the land and ancillary structures portion of the Yili Land and Buildings was RMB78,110,000 as at 30 September 2017. In the valuation of the Yili Land and Buildings, JLL has been provided with the Yili PRC Legal Opinion and attributed no commercial value to the buildings portion of the Yili Land and Buildings without proper title certificates or construction permits (i.e. the Yili Properties Without Title). However, for reference purpose, JLL was of the opinion that the market value of the Yili Properties Without Title as at 30 September 2017 would be RMB162,000,000 (together with the market value of the land and ancillary structures portions of the Yili Land and Buildings of RMB78,110,000, collectively referred to as the "**Yili Property Valuation**") assuming all title certificates had been obtained and they could be freely transferred. According to the Yili PRC Legal Opinion, there are no material legal impediments in obtaining the title certificates for the Yili Properties Without Title upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities.

Based on the above, the Yili Property Valuation of approximately RMB240,110,000 exceeds the carrying value of the Yili Land and Buildings as at 30 September 2017 of approximately RMB203,556,000 by approximately RMB36.6 million (i.e. the Yili Valuation Premium).

According to the Valuation Report and as confirmed by JLL, the market value of the land and ancillary structures portions of the SZX Land and Buildings was RMB94,780,000 as at 30 September 2017. In the valuation of the SZX Land and Buildings, JLL has been provided with the SZX PRC Legal Opinion and attributed no commercial value to the buildings and construction in progress portions of the SZX Land and Buildings without title certificates or construction permits (i.e. the SZX Properties Without Title). However, for reference purpose, JLL was of the opinion that the market value of the SZX Properties Without Title as at 30 September 2017 would be RMB215,190,000 (together with the market value of the land and ancillary structures portions the SZX Land and Buildings of RMB94,780,000, collectively referred to as the "**SZX Property Valuation**") assuming all title certificates had been obtained and they could be freely transferred. According to the SZX PRC Legal Opinion, there are no material legal impediments in obtaining the title certificates for the SZX Properties Without Title upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities.

Based on the above, the SZX Property Valuation of approximately RMB309,970,000 exceeds the carrying value of the SZX Land and Buildings as at 30 September 2017 of approximately RMB245,574,000 by approximately RMB64.4 million (i.e. the SZX Valuation Premium).

We have reviewed the Valuation Report and discussed with JLL regarding the methodology adopted and the basis and assumptions used in the Valuation Report. As to the methodology adopted, in the course of our discussion with JLL and based on the

Valuation Report, there are no readily available relevant market comparable sales due to the nature of the buildings and structures of the properties and the particular location in which they are situated, thus the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings cannot be valued on the basis of direct comparison. Therefore, in valuing the ancillary structures, construction in progress and building portions of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings, JLL has applied the cost approach by taking into account (i) the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation for ancillary structures and building portions; and (ii) the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development for construction in progress portion. In arriving at the value of the land portions of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings, JLL advised that the market approach was considered as appropriate after considering the availability of the market information. JLL further advised that it has applied the market approach by taking reference to the sales evidence as available in the locality (the "**Comparable Sales Transactions**") which were identified and selected based on the criteria including (i) location; and (ii) usage of lands. We noted that nine Comparable Sales Transactions (three Comparable Sales Transactions for each of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings) which met the aforesaid selection criteria have been selected by JLL for the purpose of the Valuation and the underlying properties of such nine Comparable Sales Transactions were (i) located in the same districts of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings respectively; (ii) industrial-used land which were considered to be relevant in nature to the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings; (iii) sold either in 2016 or 2017 with the transaction amounts ranging from approximately RMB3.9 million to RMB44.2 million; and (iv) related to a site area ranging from approximately 12,000 sq.m. to 171,000 sq.m. We also noted that the average unit price per square meter of the Comparable Sales Transactions were computed based on their respective site area and transaction amount, and has been further adjusted by JLL after taking into account the date of transaction, plot ratio and land use term of the Comparable Sales Transactions. Such adjusted average unit price per square meter of the Comparable Sales Transactions has been used as the basis to determine the Valuation by multiplying the site areas of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings. It is also noted that JLL has relied upon China Real Estate Index System ("**CREIS**") (中國房地產指數系統) as the source of sales evidence information on the Comparable Sales Transactions. As further confirmed by JLL, (i) the cost approach for valuing the ancillary structures, construction in progress and building portions; and (ii) the market approach for valuing land portions, are commonly adopted for valuation of properties in the PRC and is also consistent with normal market practice.

We noted that the Valuation Report was prepared based on the key assumptions that (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement; (ii) no allowance has been made in JLL's report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation; and (iii) the properties are free from encumbrances, restrictions and outgoings of an onerous nature.

Regarding the above and apart from discussion with JLL, we have (i) reviewed the details of the Comparable Sales Transactions and noted that they fulfilled the aforesaid selection criteria; (ii) performed desktop search and noted that all the underlying properties are in close proximity to and not more than 30 kilometers away from the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings respectively; and (iii) performed independent desktop search and noted from CREIS's website that CREIS is a system developed by the China Index Academy (中國指數研究院), which is one of the largest real estate professional research organisations in the PRC. CREIS has maintained one of the largest and most comprehensive databases which is widely used for analysing property markets in PRC. We had also conducted, on the best effort basis, independent research on the valuation reports that (i) contained in the circular or the prospectus of the listed companies in Hong Kong issued in 2016 and 2017 pursuant to the Listing Rules or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as applicable); and (ii) related to valuation of properties located in PRC whereby we learnt that the methodology, including the combination of using the cost approach in assessing the ancillary structures, construction in progress and building portions and the market approach in assessing the land portion of the properties, and basis and assumptions as discussed above have been commonly adopted in the valuations of properties located in PRC of other listed companies in Hong Kong. Based on the above, we are of the view that the methodology adopted (including the assessment on the Comparable Sales Transactions) and the basis and assumption used in the Valuation Report are fair and reasonable, and are in line with the market practice.

Further details of the basis and assumptions of the Valuation Report are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with JLL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the aforesaid valuation methodology, the principal basis and assumptions adopted for or the information used in the Valuation Report. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuation Report may or may not reflect the true value of the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings accurately.

*Trading multiples analysis*

Commonly adopted price multiples analyses include the price to book ratio ("**PBR(s)**") and the price to earnings ratio ("**PER**"). Given that the Target Companies has not generated any profit since incorporation, we consider the PER analysis to be impractical. For the purpose of assessing the fairness and reasonableness of the considerations for the Acquisitions, we have performed the PBR analysis. We have searched for companies listed on the Stock Exchange which are engaged in similar line of business as the Target Companies, being the manufacturing and sales of powertrain components (for details, please refer to the table below) and derived a majority of their turnover from such business based on their respective latest published financial information (the "**Selection Criteria**"), for comparison. To the best of our knowledge and endeavour, we found three listed companies (the "**Market Comparables**") which met the Selection Criteria and they are exhaustive as far as we are aware of. We have not subjectively excluded any the Market Comparables which met the Selection Criteria. Given that setting additional selection criteria (such as place of operation, history of operation and size of the Market Comparables) will narrow down the number of the Market Comparables, we have not set the aforesaid additional selection criteria for our analysis. Shareholders should note that the respective businesses, operations and prospects of the Target Companies are not the same as the Market Comparables.

Set out below are the PBRs of the Market Comparables based on their closing prices as at 7 November 2017, being the date of the Acquisition Agreements, and their latest published financial information:

| **Company name (Stock code)** | **Principal business** | **Year-end date** | **PBR (times)** *(Note 1)* | **Percentage of revenue from the manufacturing and sales of automobile related components** *(Note 2)* |
|---|---|---|---|---|
| Johnson Electric Holdings Limited (179) | Manufacture and sale of motion systems *(Note 3)* | 31 March 2017 | 1.87 | 76% |
| Xinchen China Power Holdings Limited (1148) | Development, manufacture and sale of automotive engines for passenger vehicles | 31 December 2016 | 0.44 | 100% |
| BeijingWest Industries International Limited (2339) | Manufacture and sale of automotive parts and mechanical components | 31 December 2016 | 0.93 | 97% |
| | | **Maximum** | **1.87** | |
| | | **Minimum** | **0.44** | |
| | | **Average** | **1.08** | |
| Consideration for the Baoji Acquisition | | | 1.32 *(Note 4)* | |
| Consideration for the Yili Acquisition | | | 1.08 *(Note 5)* | |
| Consideration for the SZX Acquisition | | | 1.07 *(Note 6)* | |

*Notes:*

1. The price to book value ratio refers to a comparison of the market value as at 7 November 2017 (using the respective share prices in the case of the Market Comparables) with the attributable net asset to the equity holders as per the latest published full year financial statements.

2. Revenue of the Market Comparables was based on their respective latest published annual results.

3. According to the independent auditor's report set out in the annual report of Johnson Electric Holdings Limited for the year ended 31 March 2017, the principal operations of Johnson Electric Holdings Limited and its subsidiaries are the manufacture and sale of motion systems.

4. The implied PBR were calculated based on (i) the consideration for the Baoji Acquisition; (ii) the unaudited net asset value of the Baoji Target as at 30 September 2017; and (iii) the capital contribution made by Zhejiang Geely into Baoji Target in November 2017.

5. The implied PBR were calculated based on (i) the consideration for the Yili Acquisition; (ii) the unaudited net asset value of the Yili Target as at 30 September 2017; and (iii) the capital contribution made by Zhejiang Geely and Shanghai Maple into Yili Target in November 2017.

6. The implied PBR were calculated based on (i) the consideration for the SZX Acquisition; (ii) the unaudited net asset value of the SZX Target as at 30 September 2017; and (iii) the capital contribution made by Geely Holding into SZX Target in November 2017.

We noticed from the above table that the PBRs of the Market Comparables ranged from approximately 0.44 times to 1.87 times, with an average of approximately 1.08 times. The implied PBRs of the Acquisitions are within the said PBR range of the Market Comparables and close to the average PBR of the Market Comparables.

Having considered the above, we are of the view that the terms of the Acquisition Agreements 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.

**1.3 Possible financial effects of the Acquisitions**

***Earnings***

Following completion of the Acquisitions, the Target Companies will become 99% owned subsidiaries of the Company and their financial results will be fully consolidated into the financial statements of the Company. The management of the Company advised that no significant effect on the Group's consolidated statement of profit or loss is expected to be resulted from the Acquisitions immediately upon completion of the Acquisitions.

*Net asset value*

Based on the 2016 Annual Report and the 2017 Interim Report, the audited consolidated net asset value of the Group as at 31 December 2016 and the unaudited consolidated net asset value of the Group as at 30 June 2017 were approximately RMB24.7 billion and RMB28.3 billion respectively. As confirmed by the Directors, the Acquisitions would have no material impact on the net asset value of the Group.

*Cash flow*

Since the considerations of the Acquisitions will be satisfied by cash of RMB1,833.2 million by the Company, the cash level of the Group will decrease immediately upon completion of the Acquisitions. In addition, the Group have to repay the Baoji Shareholder's Loan, the Yili Shareholder's Loan and the SZX Shareholder's Loan, which will not exceed RMB985.1 million, RMB476.4 million and RMB1,675.8 million respectively, within 12 months after completion of the Acquisitions. Given the bank balances and cash of approximately RMB15,045 million and RMB20,774 million as at 31 December 2016 and 30 June 2017 respectively, and based on the assumption that there is no material adverse change in such position within 12 months after completion of the Acquisitions, the management of the Company expected that there would not be material adverse effect on the cash flow of the Group as a result of the Acquisitions.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of the Acquisitions.

**2. THE POWERTRAIN SALES AGREEMENT**

**2.1 Background to and reasons for the Powertrain Sales Agreement and the Powertrain Sales Annual Caps**

On 7 November 2017, the Company, LYNK & CO and Geely Holding entered into the Powertrain Sales Agreement for the sale by the Group of the Target Products to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions for a term of three years from 1 January 2018 to 31 December 2020. The Company proposes to adopt the Powertrain Sales Annual Caps pursuant to Rule 14A.53 of the Listing Rules.

As disclosed above, the Target Companies are principally engaged in the research, development, production and sales of vehicle engine and transmissions as well as related after-sales parts in the PRC. Upon completion of the Acquisitions, the Target Products, which are designed for use in high performance and multi-functional vehicles, will mainly be sold to the LYNK & CO Group for use in the LYNK & CO-branded vehicles and, to a lesser extent, the Geely Holding Group for use in the Volvo-branded vehicles for the next three years. The Company confirmed that the Group has not identified any independent third party customer for the Target Products as at the Latest Practicable Date.

According to the Company, LYNK & CO has undertaken the public preview of its first model "LYNK & CO 01" (a crossover utility vehicle powered by petrol engine) in 2016, with its new version featuring petrol-electric powertrain and second model "LYNK & CO 02" (a compact hybrid crossover vehicle) both being revealed in the PRC automobile market in April 2017. We noted that after commencement of its commercial production in October 2017, "LYNK & CO 01" was officially launched in November 2017, whereas the commercial production and official launch of both "LYNK & CO 02" and the third model "LYNK & CO 03" (a concept sedan, available with a choice of different types of engines) are expected to be in 2018. We also noted that LYNK & CO's sales and marketing strategies are underway with the PRC being identified as the initial target market for LYNK & CO-branded vehicles, however it is the strategic plan of LYNK & CO to expand its sales to the United States of America and Europe in 2019.

As advised by the Company, the Directors recognise the importance of creating, building and maintaining Geely brand awareness in the marketplace and the intangible benefits that a strong Geely brand brings, and therefore decided to leverage the publicity of LYNK & CO and its LYNK & CO-branded vehicles as a whole to promote the brand exposure and public awareness for the Group. It is stated in the Letter from the Board that it is the current business plan of the Group to focus on, amongst others, developing the LYNK & CO brand, which is being marketed globally striving towards a premium position. Given the aforesaid business plan of the Group, the Directors expect that the Powertrain Sales Transactions for the three years ending 31 December 2020 will mainly involve sales of the Target Products to LYNK & CO. The Directors consider that the Powertrain Sales Transactions with LYNK & CO represent a good opportunity for the Group to leverage the synergistic effect arising therefrom and form part of the Group's overall business strategy to pivot towards globalisation.

Given the nature of the Powertrain Sales Transactions, it is reasonable to expect that the Powertrain Sales Transactions will continue to take place on a regular and frequent basis and in the ordinary and usual course of business of the Group in the future. It would be impractical for the Group to strictly comply with the Listing Rules requirements regarding "connected transactions" on each occasion when it arises. Therefore, we are of the view that the adoption of the Powertrain Sales Annual Caps is essential for the Group in ensuring the continued smooth operation of its business activities of sale of the Target Products for the three years ending 31 December 2020.

**2.2 Principal terms of the Powertrain Sales Agreement**

On 7 November 2017, the Company, LYNK & CO and Geely Holding entered into the Powertrain Sales Agreement for the sale by the Group of the Target Products to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions. The information below sets out the key terms of the Powertrain Sales Agreement:

***Date:***

7 November 2017

***Parties:***

The Company, LYNK & CO and Geely Holding

***Subject matter:***

Pursuant to the Powertrain Sales Agreement, the Group has agreed to sell the Target Products to the LYNK & CO Group and the Geely Holding Group after completion of the Acquisitions for a term of three years from 1 January 2018 to 31 December 2020.

The Powertrain Sales Transactions will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as applicable) the independent third parties to the Company.

***Pricing basis:***

Pursuant to the Powertrain Sales Agreement, the Target Products will be sold to the LYNK & CO Group and the Geely Holding Group by the Group at prices determined based on the formula below:

Selling price = C1 x (1+6%)

Where:

C1 = actual costs incurred (including but not limited to raw material costs, labour costs, manufacturing costs (including water and electricity expenses, depreciation of plant and equipment, machine maintenance expenses, etc.), management costs (including amortisation of research and development costs, staff salary and welfare expenses and office expenses, etc.) for the manufacturing of the Target Products plus related tax

The margin rate of 6% was determined by the Company, LYNK & CO and Geely Holding after arm's length negotiation with reference to an independent report on the profit to costs ratios ("**PCR(s)**") of the comparable companies that are principally engaged in the manufacturing and sales of vehicle engines, transmissions and/or their related parts and components prepared by PricewaterhouseCoopers China ("**PwC**") on 17 October 2017 (the "**Independent Report**"), which the Directors consider is fair and reasonable.

Based on our discussion with the Company's management about the bases for determining the pricing method to set the unit selling price of the Target Products under the Powertrain Sales Agreement, we understand that the Company has appointed PwC to evaluate the PCRs of eleven companies (the "**Relevant Companies**") identified by PwC as comparable to the Target Companies (the "**PCRs Evaluation**"). It is advised by the Company that the cost-plus approach was adopted as the pricing basis with a margin rate of 6% (the "**6% Margin Rate**") which was determined among the Company, LYNK & CO and Geely Holding after arm's length negotiations with reference to the Independent Report.

To ascertain PwC is suitably qualified possessing related experiences and competence to undertake the PCRs Evaluation, we have reviewed and enquired into (i) the terms of engagement stipulated under the mandate letter entered into between PwC and the Company in relation to the PCRs Evaluation; and (ii) PwC's qualifications and experiences that are relevant to the PCRs Evaluation. Based on the aforesaid due diligence review and enquiry, we are satisfied with PwC's qualifications and experiences relating to the PCRs Evaluation, and therefore consider that PwC is experienced and competent in performing the PCRs Evaluation and preparing the Independent Report. PwC has also confirmed that it is independent from any member of the Group or the Geely Holding Group.

We have reviewed the Independent Report and discussed with PwC regarding the methodology adopted and the basis and assumptions used in the Independent Report. As advised by PwC, except for the assumption that the public financial information of the Relevant Companies is completed and accurate, no other major assumptions are made when preparing the Independent Report. As to the methodology adopted in the PCRs Evaluation, in the course of our discussion with PwC, we noted that the Relevant Companies were selected by PwC after considering (i) the place of incorporation; (ii) the profitability in the past three years; (iii) the shareholding structure; and (iv) the principal business. According to the Independent Report, the Relevant Companies are (i) located in either PRC or Taiwan and listed on the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the National Equities Exchange and Quotations or the Taiwan Stock Exchange Corporation; (ii) profit-making which generated a net aggregate profit for a period of the past three consecutive years; and (iii) conducted in similar principal business activities as compared with those of the Target Companies. It is also stated that the weighted average PCRs of the Relevant Companies were computed based on their respective public financial information for the past three consecutive years, ranging from approximately 2.0% to 18.6% with a median of approximately 6.0%. We noted that the 6% Margin Rate is the same as the median of the PCRs of the Relevant Companies. As further advised by PwC, the methodology adopted in the Independent Report is (i) commonly adopted in the PRC for evaluation of comparability analysis and consistent with normal market practice; and (ii) in accordance with the Public Notice of the State Administration of Taxation Regarding the Release of the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (the "**Public Notice 6**") issued by the State Administration of Taxation in the PRC.

Regarding the above and apart from discussion with PwC, we have (i) on a best effort basis, conducted an independent background research on the Relevant Companies, and noted that the Relevant Companies were appropriately selected based on the aforementioned selection criteria adopted by PwC in the PCRs Evaluation and that the PCRs of the Relevant Companies calculated based on the information publicly available to us are consistent with those stated in the Independent Report; and (ii) reviewed the Public Notice 6, and noted that the Public Notice 6 (a) provides details of the factors for selecting the comparable companies that should be considered in the comparability analysis, including but not limited to the nature of principal business and location of corporation; and (b) is adopted by the relevant tax authorities to conduct comparability analysis for evaluating comparable companies in terms of financial ratios (including PCR). Based on the above and after taking into account that (i) all the public financial information of the Relevant Companies used in the PCRs Evaluation was all audited based on the respective annual reports of the Relevant Companies; and (ii) the methodology adopted in analysing the Relevant Companies in the Independent Report (including the selection basis of the Relevant Companies, the adoption of weighted average method in calculating the PCRs for the past three consecutive years and the adoption of the median value as the result value in assessing the Relevant Companies' PCRs) is referred to Public Notice 6, we are of the view that the methodology adopted and the basis and assumption used in the Independent Report are fair and reasonable.

In addition to our review of PCRs of the Relevant Companies, we have also calculated and made references to the PCRs of the Market Comparables for the year ended 31 December 2016 which were computed based on their respective latest published annual results. It is noted that the 6% Margin Rate is within the range of approximately 4.6% to 11.7% for the PCRs of the Market Comparables and below the average PCR of the Market Comparables of approximately 7.8%.

Based on the information available on the website of the Stock Exchange as at the Latest Practicable Date, we have, on a best effort basis, identified and made reference to, as far as we are aware, a comparable transaction regarding sale of engine to a connected person announced by Xinchen China Power Holdings Limited ("**Xinchen**") whose shares are listed on the Stock Exchange (Stock code: 1148) (the "**Comparable Transaction**"), details of which are set out in Xinchen's circular dated 16 November 2015. Xinchen is principally engaged in development, manufacture and sale of automotive engines for passenger vehicles. We have reviewed the pricing basis for the Comparable Transaction, and noted that the cost-plus approach had also been adopted by Xinchen in a situation where no independent third party customer was identified. Therefore, the pricing basis stipulated under the Powertrain Sales Agreement is in line with that of the Comparable Transaction. Given the fact that (i) the principal business of Xinchen is similar to the Target Companies; and (ii) the Comparable Transaction is an exhaustive sample of transaction involving sales of engines to holding company which constituted a continuing connected transaction of a company listed on the Stock Exchange pursuant to the Listing Rules which took place since 2015 and until the Latest Practicable Date, we consider the that Comparable Transaction would serve as a fair and representative sample for the purpose of drawing a meaningful comparison with the pricing basis stipulated under the Powertrain Sales Agreement. We also consider the period of selecting the Comparable Transaction (i.e. since 2015 and until the Latest Practicable Date), a period that covered market transactions that took place around three years preceding the Latest Practicable Date, to be a more recent and reasonable period to select the Comparable Transaction in order to draw a meaningful comparison with the pricing basis stipulated under the Powertrain Sales Agreement. Having considered this and in particular after taking into account the fact that (i) the sale of vehicle engines, transmissions and after-sale parts is a new business activity of the Group to be commenced in 2018 and no vehicle engines, transmissions and after-sale parts have been sold by the Group to any member of the Geely Holding Group or the LYNK & CO Group or any independent third party; and (ii) the Group had not yet identified any independent third party for its sales of the Target Products as at the Latest Practicable Date, we concur with the view of the Directors that it is reasonable for the Group to adopt the "cost-plus" approach for determining the pricing for the Powertrain Sales Transactions by taking into account the actual costs incurred for the manufacturing of the Target Products plus related tax and anticipated reasonable profits.

Despite the fact that the 6% Margin Rate is below the average PCR of the Market Comparables of approximately 7.8%, given that (i) the selling prices of the Target Products are to be determined based on the "cost-plus" approach; (ii) the 6% Margin Rate is within the range of approximately 4.6% to 11.7% for the PCRs of the Market Comparables; (iii) the 6% Margin Rate is the same as the median of the PCRs of the Relevant Companies computed based on the methodology adopted by PwC in the PCRs Evaluation which is considered as fair and reasonable; (iv) the 6% Margin Rate was determined by the Company, LYNK & CO and Geely Holding after arm's length negotiation with reference to the Independent Report; (v) the internal control measures of the Powertrain Sales Transactions will be put in place to ensure that the profit margin to be derived from the Powertrain Sales Transactions will always be not lower than the profit margin to be derived from the sales of vehicle engines, transmissions and after-sales parts to any independent third party; and (vi) it is entirely at the discretion of the Group whether to sell the Target Products to the LYNK & CO Group and the Geely Holding Group if there is material change in the market margin rate during the term of the Powertrain Sales Agreement, we concur with the view of the Directors that the pricing basis of the Powertrain Sales Transactions (including the 6% Margin Rate) is fair and reasonable and in the interests of the Company and the Shareholder as a whole.

Having considered the above and also after taking into account the benefits to be derived from the Powertrain Sales Transactions as detailed in the subsection headed "Background to and reasons for the Powertrain Sales Agreement and the Powertrain Sales Annual Caps" above, we are of the view that the Powertrain Sales Transactions are fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

**2.3 Powertrain Sales Annual Caps**

The table below sets out the Powertrain Sales Annual Caps:

| | **Powertrain Sales Annual Caps** | | |
|---|---|---|---|
| | **For the year ending 31 December** | | |
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Sale of vehicle engines, transmissions and related after-sales parts *(Note)* | 9,179,760 | 14,556,510 | 15,661,070 |

*Note:* There is no historical transaction amount of the Powertrain Sales Transactions as the Group has not sold any vehicle engines, transmissions and related after-sales parts to the LYNK & CO Group and/or the Geely Holding Group in the past given the fact that the Powertrain Sales Transactions are new business activities of the Group to be commenced upon completion of the Acquisitions.

As stated in the Letter from the Board, the Powertrain Sales Annual Caps were determined by the Directors with reference to (i) the estimated number of units of the Target Products to be sold by the Group to the LYNK & CO Group and the Geely Holding Group based on the production capacity of the Baoji Target of approximately 360,000 units of vehicle engines and after-sales parts per annum, the Yili Target of approximately 400,000 units of vehicle engines and after-sales parts per annum and the SZX Target of approximately 600,000 units of transmission and after-sales parts per annum, and the demand for the Target Products which in turn was determined based on the projected production volume of the vehicle models of the LYNK & CO Group and the Geely Holding Group that will be equipped with the vehicle engines and/or transmissions manufactured by the Target Companies, for the three years ending 31 December 2018, 2019 and 2020; and (ii) the projected manufacturing cost of the Target Products for the three years ending 31 December 2018, 2019 and 2020 respectively and the 6% Margin Rate over such projected manufacturing costs. The increase in the Powertrain Sales Annual Caps for each of the two years ending 31 December 2020 is primarily due to the projected increase in the production volume of the aforementioned vehicle models of the LYNK & CO Group and the Geely Holding Group, which in turn is mainly contributed by the expected increase in the production volume of the existing vehicle models as well as the introduction of new vehicle models during the two years ending 31 December 2020.

In our assessment of the fairness and reasonableness of the Powertrain Sales Annual Caps, we have obtained and reviewed, among other things, (i) the sales budget for the Powertrain Sales Transactions for the three years ending 31 December 2020 compiled by the Group and the underlying bases and assumption relate thereto; (ii) the list of the Target Products and the lists of vehicle engines, transmissions and related after-sales parts to be required for the relevant LYNK & CO-branded vehicles and the Volvo-branded vehicles; (iii) the projected production volume of the respective vehicle models of the LYNK & CO Group and the Geely Holding Group that will be equipped with the vehicle engines and/or transmissions manufactured by the Target Companies; (iv) the cost schedule of the Target Products; (v) the list of similar vehicles currently available in the PRC automobile market comparable to the relevant LYNK & CO-branded vehicles and Volvo-branded vehicles that are expected to use the Target Products; and (vi) the manufacturing capability and expansion schedule of the Target Companies. We have also discussed with the management of the Company on the underlying principal assumptions and bases that have been taken into account by the Directors in setting the Powertrain Sales Annual Caps. We concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the Powertrain Sales Annual Caps at the proposed levels, after taking into consideration the following:

- that the Powertrain Sales Annual Caps were determined in accordance with the pricing basis under the Powertrain Sales Agreement which is considered to be fair and reasonable, details of which are set out under the subsection headed "Principal terms of the Powertrain Sales Agreement";

- that the 6% Margin Rate was fully adopted in calculating the selling prices of the Target Products in the sales budget for the Powertrain Sales Transactions for the three years ending 31 December 2020;

- that the cost schedule of the Target Products comprises the cost components in determining the selling prices under the Powertrain Sales Agreement, details of which are set out under the subsection headed "Principal terms of the Powertrain Sales Agreement";

- that the Target Products meet the powertrain specifications set for the existing models of the LYNK & CO-branded vehicles as well as the forthcoming new models of LYNK & CO-branded vehicles and Volvo-branded vehicles;

- that (i) the Target Companies' overall manufacturing capacity; (ii) the projected production volume of the respective vehicle models of the LYNK & CO Group and the Geely Holding Group; and (iii) the expected demand for the Target Products from the Geely Holding Group and the LYNK & CO Group have been taken into account during the preparation of the sales budgets for the Powertrain Sales Transactions for each of the three years ended 31 December 2020;

- that the projected production volume of the LYNK & CO-branded vehicles for the three years ending 31 December 2020 was estimated by the LYNK & CO Group with reference to the historical sales volume of similar vehicles currently available in the PRC automobile market which are comparable to the relevant LYNK & CO-branded vehicles of approximately (i) 600,000 units for the two-year averaging period ended 31 December 2016; and (ii) 648,000 units for the nine months ended 30 September 2017;

- that the Target Companies' existing overall manufacturing capability, even after having taken into account the expansion plans to be implemented in 2019 and 2020 whereby the overall manufacturing capacity is expected to increase by approximately 50.5% and 6.2% respectively, will not be sufficient to fully satisfy the expected total production volume of the vehicle models of the LYNK & CO Group for each of three years ending 31 December 2020;

- that the increase of approximately 58.6% in the Powertrain Sales Annual Caps for the year ending 31 December 2019 is primarily due to (i) the projected increase in the production volume of the vehicle models of the LYNK & CO Group of approximately 82.9% for the year ending 31 December 2019; and (ii) the expected increase in the Target Companies' overall manufacturing capacity of approximately 50.5% for the year ending 31 December 2019;

- that the increase of approximately 4.6% in the Powertrain Sales Annual Caps for the year ending 31 December 2020 is primarily due to (i) the projected increase in the production volume of the vehicle models of the LYNK & CO Group of approximately

4.9% for the year ending 31 December 2020; and (ii) the expected increase in the Target Companies' overall manufacturing capacity of approximately 6.2% for the year ending 31 December 2020;

- that the Target Products were and will be designed for use in high performance and multi-functional vehicles and none of the current Target Products is suitable for the Group's existing vehicle models and the new vehicle models to be launched in 2018;
- that the Company had not identified any independent customer for the Target Products as at the Latest Practicable date and the Target Products will mainly be sold to the LYNK & CO Group for use in the LYNK & CO-branded vehicles and, to a lesser extent, the Geely Holding Group for use in the Volvo-branded vehicles for the next three years; and
- that it is the current intention of the Company to fully employ the Target Companies' overall production capacity to manufacture the Target Products for the Powertrain Sales Transactions.

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

## 3. FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS CONTEMPLATED UNDER THE SERVICES AGREEMENT

### 3.1 Background to and reasons for the Further Revised Annual Caps

Reference is made to the Company's circular dated 14 December 2009 in relation to the Services Agreement. References are also made to the Company's circulars dated 14 December 2015 and 11 November 2016 (the "**2016 Circular**") in relation to the renewal of annual caps for the Services Agreement for the years ending 31 December 2016, 2017 and 2018 and the 2016 Revised Annual Caps (as defined below) respectively.

On 27 November 2009, the Company and Geely Holding entered into the Services Agreement whereby, amongst others, the Group agreed to supply the CKDs and the Sedan Tool Kits to the Geely Holding Group (the "**CKDs Transaction**"), and the Geely Holding Group agreed to sell the CBUs, automobile parts and components, and provide process manufacturing services to the Group (the "**CBUs Transaction**") for a term of 10 years from 1 January 2010 to 31 December 2020. As set out in the Letter from the Board, the Geely Holding Group performs the final assembly on the CKDs and the Sedan Tool Kits and facilitates payment of the PRC consumption tax. After performing final assembly, the Geely Holding Group sells the CBUs back to the Group's sales companies for distribution to end customers. Regarding the CKDs Transaction and the CBUs Transaction, the net financial effect on the Group is represented as the service cost of final assembly on the CKDs and the Sedan Tool Kits charged by the Geely Holding Group and the relevant consumption taxes levied on the CBUs upon being sold back to the Group, which are included in the "Cost of sales" in the consolidated income statement of the Group. As the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission 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 (including the CKDs Transaction and the CBUs Transaction) 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 meetings of the Company held on 24 December 2012 and 30 December 2015, respectively. On 28 November 2016, the original annual caps in relation to the CKDs Transaction and the CBUs Transaction for the two years ending 31 December 2017 and 2018 were revised upward (collectively, the "**2016 Revised Annual Caps**") pursuant to Rule 14A.54 of the Listing Rules and was approved by the then Independent Shareholders.

As set out in the Letter from the Board, in view of the better-than-expected demand for the Group's products, as well as the fact that the fourth quarter of the year is normally the peak season for automobile sales, the Board expects that the 2016 Revised Annual Caps will not be sufficient to meet the Company's requirements for the two years ending 31 December 2018. Accordingly, the Board approved to further revise upward the 2016 Revised Annual Caps pursuant to Rule 14A.54 of the Listing Rules. Save for the Further Revised Annual Caps, all other terms of the Services Agreement remain unchanged.

Based on the historical sales performance of the Group for the three years ended 31 December 2016, it is noted that relatively high sales were always recorded by the Group during the fourth quarter with approximately 34.4%, 30.3% and 40.1% of the Group's total sales volume contributed by the fourth quarter results for the relevant years. Such sales pattern was in line with the market's sales pattern in relation to the total sales volume of passenger vehicles in the PRC revealed by China Association of Automobile Manufacturers ("**CAAM**", a non-profit social organisation established under the approval of the Ministry of Civil Affairs of the PRC which consists of enterprises and institutions engaging in the production and management of automobiles, automobile parts and vehicle-related industries in the PRC and is formed for the purpose of developing and promoting the PRC automobile industry and the implementation of national principles and policies relating to the PRC automobile industry) that the sales volume for the fourth quarter is higher than that of any other quarter for each of the relevant periods.

According to the 2017 Interim Report, the Group's sales performance in the first half of 2017 exceeded the expectations of the Company. As a result of the increasing market demand for the Group's sedan and crossover models like "New Emgrand", "New Vision", "Emgrand GS"(帝豪GS) and sport utility vehicle models such as "Geely Boyue" (吉利博越) and "Vision SUV" (遠景SUV), the Group sold a total of 530,627 units of vehicles in the first half of 2017, representing an increase of approximately 89.3% as compared to the same period in 2016. Total revenue of the Group was approximately RMB39,424 million for the six months ended 30 June 2017, representing an increase of approximately 117.9% as compared to the same period in 2016. Also, as stated in the announcement of the Company dated 6 November 2017, during the month of October 2017, the Group sold another record high level of 125,118 units of vehicles, which was approximately 36.0% higher than the average of approximately 91,901 units of vehicles sold for the first nine months of 2017.

As stated in the Company's announcement dated 6 July 2017, the Board has revised upward the Group's sales volume target of 1,000,000 units by 10% to 1,100,000 units for the year ending 31 December 2017, representing an increase of approximately 43.6% from the actual sales volume for the year ended 31 December 2016. The Company confirmed that the aforesaid increased sales volume target was determined after taking into account the continued strong sales performance of the Group's products in the first half of 2017 resulting in an significant increase in the total sale volume, an expected sale of the existing models for the second half of 2017 and the initial good market feedback for the two new vehicle models launched in the second half of 2017. According to the 2016 Circular, the Group expected to launch three new vehicle models in 2017, among which two models namely "Vision X1"(遠景X1) and "Vision X3"(遠景X3) has been launched in May and August 2017 respectively with the remaining one model expected to be launched in 2018 instead. It is also stated that another seven new vehicle models are expected to be launched in 2018. Since the date of launch and up to 30 September 2017, "Vision X1"(遠景X1) and "Vision X3"(遠景X3) recorded a sales volume of 16,779 units and 16,779 units respectively. In the month of October 2017, "Vision X1"(遠景X1) and "Vision X3"(遠景X3) recorded a sales volume of 3,016 units and 7,007 units respectively, which in aggregate contributed to approximately 8.0% of the total sales volume of the Group for the month of October 2017. The Company confirmed that there is no change to its plan on the launch of the remaining eight new models, which have already been taken into account by the Directors when determining the Further Revised Annual Caps.

For the ten months ended 31 October 2017, the actual transaction amounts of the CKDs Transaction and the CBUs Transaction were approximately RMB65,753,292,000 and RMB67,997,013,000 respectively, representing approximately 83.3% and 84.4% of the respective existing revised annual caps for the year ending 31 December 2017, which was already higher than their respective actual transaction amounts of approximately RMB50,617,641,000 and RMB51,659,054,000 for the full year ended 31 December 2016.

**3.2 The Further Revised Annual Caps**

The table below sets out the historical transaction amounts of the CKDs Transaction and the CBUs Transaction for the year ended 31 December 2016 and the ten months ended 31 October 2017, the 2016 Revised Annual Caps and the Further Revised Annual Caps:

| | **Historical transaction amount for the** | | **2016 Revised Annual Caps for the year ending 31 December** | | **Further Revised Annual Caps for the year ending 31 December** | |
|---|---|---|---|---|---|---|
| | **year ended 31 December 2016** | **ten months ended 31 October 2017** | **2017** | **2018** | **2017** | **2018** |
| | (Audited) | (Unaudited) | | | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| CKDs Transaction | 50,617,641 | 65,753,292 | 78,909,319 | 100,974,729 | 88,760,850 | 121,382,040 |
| CBUs Transaction | 51,659,054 | 67,997,013 | 80,575,051 | 102,574,303 | 93,295,760 | 127,350,870 |

***(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 RMB65,753,292,000 and RMB67,997,013,000 respectively for the ten months ended 31 October 2017, representing approximately 83.3% and 84.4% of their respective existing revised annual caps for the year ending 31 December 2017 and approximately 129.9% and 131.6% as compared to their respective historical transaction amounts for the year ended 31 December 2016. The Company confirmed that the Group sold a total of 952,226 units of vehicles for the first ten months of 2017, achieving approximately 86.6% of its revised full year sales volume target of 1,100,000 units set out in the Company's announcement dated 6 July 2017.

In particular, the two popular vehicle models of the Group, namely "New Emgrand" (新帝豪) and "Geely Boyue" (吉利博越), had achieved better-than-expected sales performance during the nine months ended 30 September 2017. As confirmed by the Directors, due to the continued increasing market demand, the sales volume of both "New Emgrand" (新帝豪) and "Geely Boyue" (吉利博越) during the nine months ended 30 September 2017 have exceeded their budget sales volume when the 2016 Revised Annual Caps were determined. During the month of October 2017, the sales volume of "New Emgrand" (新帝豪) was 27,033 units, representing an increase of approximate by 8.1% from the same period of last year. "Geely Boyue" (吉利博越) recorded a sales volume of 30,138 units during the month of October 2017, representing an increase of approximately 79.6% from the same period last year.

***(ii) The bases of determination of the Further Revised Annual Caps***

The further revised annual caps of the CKDs Transaction for the two years ending 31 December 2018 are approximately RMB88,760,850,000 and RMB121,382,040,000, respectively, representing increases of approximately 12.5% and 20.2%, respectively, as compared with the existing revised annual caps for the relevant years. The further revised annual caps of the CBUs Transaction for the two years ending 31 December 2018 are approximately RMB93,295,760,000 and RMB127,350,870,000, respectively, representing increases of approximately 15.8% and 24.2%, respectively, as compared with the existing revised 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 Further Revised Annual Caps for each of the CKDs Transaction and the CBUs Transaction were determined by the Directors with reference to (i) the historical transaction amount for the ten months ended 31 October 2017; (ii) the projected sales of the Group for the remaining period of 2017 and the year ending 31 December 2018 having taken into account the better-than-expected sales performance of the Group for the ten months ended 31 October 2017; (iii) the projected average selling price to end customers for the remaining period of 2017 and the year ending 31 December 2018 based on the Group's vehicle retail price lists published by the Group for 2017 and 2018; and (iv) the applicable PRC tax rates (for the CKDs Transaction) and the projected distribution costs and other relevant costs and expenses for the remaining period of 2017 and the year ending 31 December 2018. Further, as confirmed by the Directors, 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 then prevailing business and economic conditions. Based on the 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 2017, the management of the Company is confident that strong sales orders will continue to be received for the rest of 2017 from the distributors across the PRC. The increase in the Further Revised Annual Caps for each of the CKDs Transaction and the CBUs Transaction for the year ending 31 December 2018 is mainly due to the increase in the projected sales volume of the Group for the year ending 31 December 2018.

In our assessment of the fairness and reasonableness of the Further Revised Annual Caps for each of the CKDs Transaction and the CBUs Transaction, we have reviewed the sales projection in respect of the CKDs Transaction and the CBUs Transaction for the two months ending 31 December 2017 and the year ending 31 December 2018 prepared by the Group. We have also reviewed (i) the overall sale performance of the Group for the year ended 31 December 2016 and the ten months ended 31 October 2017; (ii) the intended purchases demand requests from the distributors for the three months ending 31 December 2017; (iii) the Group's overall manufacturing capacity schedule; (iv) a list of the eight new vehicle models that are expected to be launched by the Group in 2018; and (v) the general sale pattern and market performance of the PRC automobile industry reported by CAAM. Based on our independent workdone and our discussion with the management of the Company on the underlying bases and assumptions relating the aforesaid sales projection, we noted that the Directors have principally taken into account (i) the historical transaction amounts of the CKDs Transaction and the CBUs Transaction for the ten months ended 31 October 2017; (ii) the actual total sales volume of the Group's vehicles for the ten months ended 31 October 2017; (iii) the intended purchases of the Group's vehicles as indicated by the distributors for the two months ending 31 December 2017; (iv) the expansion of the Group's overall manufacturing capacity; (v) the continued positive sales performance of the existing models and the new vehicle models; (vi) the average unit selling price of the CKDs Transaction and the CBUs Transaction remains relatively stable for the three months ending 31 December 2017 and the year ending 31 December 2018; (vii) the projected average selling price per vehicle to end customers remains relatively stable for the three months ending 31 December 2017 and the year ending 31 December 2018; (viii) the selling prices of new vehicles models that are expected to be launched by the Group in 2018; and (ix) the Directors' assumption on the tax rates on sales of automobile vehicles in the PRC remain unchanged for the two years ending 31 December 2018.

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

- the overall sale performance of the Group for the ten months ended 31 October 2017 as detailed above, in particular, the actual total sales volume of the Group's vehicles for the ten months ended 31 October 2017 is 952,226 units, representing approximately 86.6% of its revised full year sales volume target of 1,100,000 units set out in the Company's announcement dated 6 July 2017;

- that the historical transaction amounts of the CKDs Transaction and the CBUs Transaction were approximately RMB65,753,292,000 and RMB67,997,013,000 respectively for the ten months ended 31 October 2017, representing approximately 83.3% and 84.4% of their respective 2016 Revised Annual Caps for the year ended 31 December 2017;

- that the intended purchases of the Group's vehicles as indicated by the distributors for the two months ending 31 December 2017 amounted to 309,696 units;

- the expansion of the Group's overall manufacturing capacity for the year ended 31 December 2018 by approximately 31.0% from the year ended 31 December 2017;

- that the growth of the Group's sales volume of approximately 80.2% for the nine months ended 30 September 2017 as compared to the same period in 2016 was significantly higher than the growth of the sales volume of automobiles in the PRC of approximately 4.5% reported by CAAM for the relevant period;

- that the Group's sales volume for the fourth quarter is always higher than that of any other quarter during the particular year for each of the three years ended 31 December 2016, which is in line with the sale pattern in the PRC passenger vehicles market for the relevant year revealed by CAAM;

- the Group's sales volume of approximately 125,118 units of vehicles for the month of October 2017, which was approximately 36.0% higher than the average of approximately 91,901 units of vehicles sold for the first nine months of 2017;

- that the selling prices of the eight new vehicle models that are expected to be launched by the Group in 2018 adopted in the sales projection in respect of the CKD Transaction and the CBU Transaction are comparable to the prevailing market prices of similar models currently available in the PRC automobile market;

- that the selling price per vehicle to end customers are generally estimated to remain relatively steady for the remaining of 2017 and throughout 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.

***(iii) Conclusion***

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

## 4. MONITORING AND REPORTING

### 4.1 Internal control

***(i) The Powertrain Sales Transactions***

As stated in the Letter from the Board, the operation departments of the Group will review the manufacturing costs as well as the applicable PRC taxes on a monthly basis to ensure the accuracy and completeness of the production costs of the Target Products and will co-ordinate with the sales departments which will determine the monthly selling prices according to the pricing policies of the Group. As such the Group could ensure that the selling prices of the Target Products are correctly determined. The finance and accounting departments of the Group will review the aforesaid works carried out by the operation departments and review the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Directors also confirmed that the internal control measures of the Powertrain Sales Transactions will be put in place to ensure that the profit margin to be derived from the Powertrain Sales Transactions will always be not lower than the profit margin to be derived from the sales of the Target Products to any independent third party. Based on our discussion with the management of the Company and review on regarding the underlying monitoring and reporting procedures, we understand that the internal control measures will be fully implemented immediately after the commencement of the Powertrain Sales Transactions.

***(ii) The CKDs Transaction***

As stated in the Letter from the Board, for the CKDs Transaction, the operation departments of the Group will review the relevant cost items, which include mainly distribution costs, cost of the Sedan Tool Kits, the applicable PRC taxes, and costs of other necessary and reasonable expenses and will coordinate with the sales departments of the Group to ensure that the selling price of the CKDs and the Sedan Tool Kits are correctly determined. The finance and accounting departments of the Group will review the aforesaid works carried out by the operation departments and review the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Group and the Geely Holding Group will negotiate on a half-yearly basis (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 the Group in such transactions.

***(iii) The CBUs Transaction***

As stated in the Letter from the Board, the sales departments of the Group will keep track of the expected selling prices of vehicles and relevant cost items, which mainly include distribution costs and review these information on a monthly basis, and determine the selling prices of vehicles on a quarterly basis when the market is stable or more frequently if it is determined necessary to ensure the fairness of the sales price of CBUs. The finance and accounting departments of the Group will review the aforesaid works carried out by the sales departments on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. For the purchases 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 on a half-yearly basis (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 Powertrain Sales Agreement and 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.

**4.2 Requirements of the Listing Rules**

For each financial year of the Company during the terms of the Services Agreement and the Powertrain Sales Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company's independent auditor 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 (i) the Services Agreement; and (ii) the Powertrain Sales Agreement 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 auditor to report on the transactions contemplated under (i) the Services Agreement; and (ii) the Powertrain Sales Agreement for each financial year of the Company and that the Company's independent auditor 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 or the Powertrain Sales Agreement (as the case may be);
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- have exceeded the Further Revised Annual Caps or the Powertrain Sales Annual Caps (as the case may be).

Given the above monitoring and reporting measures and procedures, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that (i) the Powertrain Sales Transactions (including the Powertrain Sales Annual Caps); and (ii) the CKDs Transaction and the CBUs Transaction (including the Further Revised Annual Caps); will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

**OPINION AND RECOMMENDATION**

Having taken into account the principal factors and reasons discussed above, we consider that (i) the entering into of the Acquisition Agreements is conducted on normal commercial terms, in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into of the Powertrain Sales 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 is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Powertrain Sales Annual Caps and the Further Revised Annual Caps 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 Acquisition Agreements, the Powertrain Sales Agreement, the Powertrain Sales Annual Caps and the Further Revised Annual Caps.

Yours faithfully,
for and on behalf of
**DAKIN CAPITAL LIMITED**
**Kinson Li**
*Managing Director*

*Note:* Mr. Kinson Li is a licensed person and a responsible officer of Dakin Capital Limited registered with the Securities and Futures Commission of Hong Kong to carry out type 6 (advising on corporate finance) regulated activities under the SFO. He has over 20 years of experience in corporate finance industry.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

*The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2017 of the property interests to be acquired by the Company.*

JLL
仲量聯行

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

8 December 2017

The Board of Directors
**Geely Automobile Holdings Limited**
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed to provide valuation service on the properties in which Baoji Geely Engine Company Limited ("**Baoji Target**"), Zhejiang Yili Automobile Components Company Limited ("**Yili Target**") and Ningbo Shangzhongxia Automatic Transmission Company Limited ("**SZX Target**") respectively (Herein together refer to the "**Target Companies**") have interests for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 September 2017 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property in Group II which is under construction as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Target Companies. In arriving at our opinion of value, we have taken into account the land value, construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council. We have relied to a very considerable extent on the information given by the Target Companies and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Construction Work Planning Permits, Construction Work Commencement Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment.

We have relied considerably on the advice given by the Company's PRC legal advisor – Zhejiang Xingtao Law Firm concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us, We have also sought confirmation from by the Company and the Target Companies that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in the period from 25 October 2017 to 27 October 2017 by Ms. Nicole Liu who is a China Real Estate Appraiser and has 10 years' experience in property valuation in the PRC, and Mr. Bryan Yan who is a probationer of the RICS and has 3 years' experience.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
**Gilbert C.H. Chan**
*MRICS MHKIS RPS (GP)*
*Director*

*Note:* Gilbert C.H. Chan is a Chartered Surveyor who has 24 years' experience in the valuation of various types of properties in more than 10 provinces in the PRC, such as Shandong, Shanxi, Shaanxi, Shenyang and Zhejiang, etc.

## SUMMARY OF VALUES

**Group I - Property interests held for owner occupation by the Target Companies in the PRC**

| No. | Property | | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|
| 1. | An industrial complex located at No.18 Jixiang Road, Chi'an Town Yiwu City Zhejiang Province the PRC | | 78,110,000 *(Note 1)* |
| 2. | Phase I of an industrial complex located at No.199 Chunxiao Avenue, Beilun District Ningbo City Zhejiang Province the PRC | | 62,780,000 *(Note 1)* |
| 3. | An industrial complex located at No. 9 Fengming Street, Panxi Town, High-tec District Baoji City Shaanxi Province the PRC | | 74,120,000 *(Note 1)* |
| | | **Sub-total:** | **215,010,000** |

**Group II - Property interest held under development by the Target Companies in the PRC**

| No. | Property | | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|
| 4. | Phase II of an industrial complex under construction located at No.199 Chunxiao Avenue, Beilun District, Ningbo City Zhejiang Province the PRC | | 32,000,000 *(Note 2)* |
| | | **Sub-total:** | **32,000,000** |
| | | **Grand total:** | **247,010,000** |

*Notes:*

1. We have attributed no commercial value to the buildings of property nos. 1 to 3 as Building Ownership Certificates of these buildings have not been obtained. However, for reference purpose, we are of the opinion that the total market values of these buildings (excluding the land portion) as at the valuation date would be totaled at RMB548,340,000 assuming all relevant title certificates have been obtained and they could be freely transferred. (Please refer to Pages I-7, I-11 and I-13 for details.)

2. We have attributed no commercial value to the CIP of property no. 4 as construction permits have not been obtained. However, for reference purpose, we are of the opinion that the total market value of the CIP (excluding the land portion) as at the valuation date would be RMB22,780,000 assuming all relevant construction permits have been obtained. (Please refer to Page I-16 for details.)

## VALUATION CERTIFICATE

**Group I - Property interests held for owner occupation by the Target Companies in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|---|
| 1. | An industrial complex located at No.18 Jixiang Road, Chi'an Town, Yiwu City, Zhejiang Province, the PRC | The property comprises 2 parcels of land with a total site area of approximately 268,296.31 sq.m., and 9 buildings and various ancillary structures erected thereon which were completed in 2017.<br><br>The buildings have a total gross floor area of approximately 68,118.63 sq.m. They mainly include manufactory buildings, warehouses, an office building, guard rooms and ancillary buildings.<br><br>The major structures include boundary walls, gas station, and roads.<br><br>The land use rights of the property have been granted for terms expiring on 14 September 2065 and 3 December 2065 for industrial use. | The property is currently occupied by Yili Target for production and ancillary purposes. | 78,110,000<br>*(Refer to note 7)* |

*Notes:*

1. Pursuant to 2 Real Estate Title Certificates – Zhe (2015) Yi Wu Shi Bu Dong Chan Quan Di Nos. 0015358 and 0019172, the land use rights of 2 parcels of land with a total site area of approximately 268,296.31 sq.m. have been granted to Yili Target for terms expiring on 14 September 2065 and 3 December 2065 for industrial use.

2. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 330782201502301 and 330782(KFQ) 201600003 in favour of Yili Target, various buildings with a total gross floor area of approximately 109,348.9 sq.m. has been approved for construction (including 9 buildings of the property with a total gross floor area of approximately 68,062.7 sq.m. and 2 buildings with a total gross floor area of approximately 41,327.2 sq.m. which have not been built).

3. Pursuant to one Construction Work Commencement Permit – 330782201512180101 in favour of Yili Target, the commencement of the construction work of a main building of the property with a gross floor area of approximately 58,244.2 sq.m. has been permitted.

4. As advised by Yili Target, they have not obtained the relevant title certificates to the 9 buildings of the property with a gross floor area of approximately 68,118.63 sq.m..

5. According to the information provided by Yili Target, a summary of major certificates/approvals of the property is set out as below:

| Type | Items | GFA/Planed GFA(sq.m.) | Building Ownership Certificate | Construction Work Commencement Permit | Construction Work Planning Permit |
|---|---|---|---|---|---|
| Completed Building | 9 | 68,118.63 | No | Yes | Part |
| total | Sub-total | 68,118.63 | | | |

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

   a. Yili Target has legally obtained the Land Use Rights Certificates of the land of the property and is entitled to occupy, use, lease, transfer and mortgage the land;

   b. Yili Target has not obtained the Construction Work Commencement Permits for 8 buildings of the property with a total gross floor area of approximately 9,874.43 sq.m.; As advised by the Company's PRC legal advisor, the lack of relevant construction permits would not affect the application of Construction Work Completion and Inspection Certificates and relevant title certificates;

   c. there is no legal impediment for Yili Target to obtain relevant title certificates for the buildings mentioned in note 4 after passing the completion and inspection acceptance; and

   d. the property is not subject to mortgage or any other encumbrances.

7. In the valuation of the property, we have attributed no commercial value to the buildings of the property in note 4, which are lack of proper title certificates. However, for reference purpose, we are of the opinion that the market value of them (excluding the land portion) as at the valuation date would be RMB162,000,000 assuming all title certificates have been obtained and they could be freely transferred.

The values of different elements of the property are set out as below:

| Element | Market value with proper title certificate | Market value without proper title certificate |
|---|---|---|
| Land | 71,880,000 | |
| Structures | 6,230,000 | |
| Buildings | | 162,000,000 |
| Total | 78,110,000 | 162,000,000 |

8. The property will contribute a significant portion of revenue to Yili Target, we are of the view that the property is the material property.

Details of the material property:

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at Chi'an town, the south of Yiwu City. It is about 12 kilometers away from the highspeed train station of the city. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Yili Target has obtained the Land Use Rights Certificates for the land, but has not obtained Building Ownership Title Certificates for the buildings. |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Yili Target, some new buildings with a total gross floor area of approximately 28,100 sq.m will be built. The buildings will be completed in December 2018 and the total capital expenditure required for the development would be RMB116 million. |
| (e) | Environmental Issue | : | No environmental impact assessment has been carried out. |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|---|
| 2. | Phase I of a industrial complex located at No.199 Chunxiao Avenue, Beilun District, Ningbo City, Zhejiang Province the PRC | The property comprises a parcel of land with a site area of approximately 142,376.50 sq.m., and 12 buildings and various ancillary structures erected thereon which were completed 2017.<br><br>The buildings have a total gross floor area of approximately 71,323.81 sq.m. They mainly include manufactory buildings, warehouses, an office building, guard rooms and ancillary buildings.<br><br>The major structures include boundary walls, gas station and test track.<br><br>The land use rights of the property have been granted for a term expiring on 8 April 2063 for industrial use. | The property is currently occupied by SZX Target for production and ancillary purposes. | 62,780,000 *(Refer to note 9)* |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated on 1 March 2013, the land use rights of a parcel of land with a site area of approximately 142,376.50 sq.m. were contracted to be granted to SZX Target for a term of 50 years for industrial use. The land premium was RMB720,860,000. As advised by SZX Target, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate – Lun Guo Yong (2014) Di No. 11424, the land use rights of the land parcel of the property with a site area of approximately 142,376.50 sq.m. have been granted to SZX Target for a term expiring on 8 April 2063 for industrial use.

3. Pursuant to a Construction Land Planning Permit – (2013) Jian Gui Di Zi No. 0290021, permission towards the planning of the aforesaid land parcels with a total site area of approximately 142,376.50 sq.m. has been granted to SZX Target.

4. Pursuant to 2 Construction Work Planning Permits – (2014) Zhe Gui Jian Zi Di No. 0290025 and (2015) Zhe Gui Jian Zi Di No. 0290024 in favour of SZX Target, 12 buildings of the property with a total gross floor area of approximately 71,094.8 sq.m. has been approved for construction.

5. Pursuant to 3 Construction Work Commencement Permits –330206201512160201, 330206201502030201 and 330206201509070101 in favour of SZX Target, the commencement of construction work of the property with a gross floor area of approximately 72,071.08 sq.m. has been permitted.

6. As advised by SZX Target, they have not obtained the relevant title certificates to the 12 buildings of the property with a total gross floor area of approximately 71,323.81 sq.m.

7. According to the information provided by the SZX Target, a summary of major certificates/approvals of the property is set out as below:

| **Type** | **Items** | **GFA/Planed GFA(sq.m.)** | **Building Ownership Certificate** | **Construction Work Commencement Permit** | **Construction Work Planning Permit** |
|---|---|---|---|---|---|
| Completed Building | 12 | 71,323.81 | No | Yes | Yes |
| **Sub-total** | | **71,323.81** | | | |
| The Buildings of the CIP | | 77,513 | No | Yes | Yes |
| **Sub-total** | | **77,513** | | | |
| **Grand-total** | | **148,836.81** | | | |

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

   a. SZX Target has legally obtained the Land Use Rights Certificates of the land of the property and is entitled to legally occupy, use, lease, transfer and mortgage the land;

b. there is no legal impediment for SZX Target to obtain relevant title certificates for the buildings mentioned in note 6 after passing the completion and inspection acceptance; and

c. the property is not subject to mortgage or any other encumbrances.

9. In the valuation of the property, we have attributed no commercial value to the buildings of the property in note 6 which are lack of proper title certificates. However, for reference purpose, we are of the that the market value of them (excluding the land portion) as at the valuation date would be RMB192,410,000 assuming all title certificates have been obtained and they could be freely transferred.

The values of different elements of the property are set out as below:

| Element | Market value with proper title certificate | Market value without proper title certificate |
|---|---|---|
| Land | 56,800,000 | |
| Structures | 5,980,000 | |
| Buildings | | 192,410,000 |
| Total | 62,780,000 | 192,410,000 |

10. The property will contribute a significant portion of revenue to SZX Target, we are of the view that the property is the material property:

Details of the material property:

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at the east of Ningbo City. It is close to S215 Highway and Provincial Highway and is approximately 25 kilometers to the center of Beilun District. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | SZX Target has obtained the Land Use Rights Certificates for the land, but has not obtained Building Ownership Title Certificates for the buildings. |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by SZX Target, there is no plan for new major development in the next 12 months from the date of this document. |
| (e) | Environmental Issue | : | No environmental impact assessment has been carried out. |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|---|
| 3. | An industrial complex located at No. 9 Fengming Street, Panxi Town, High-tech District, Baoji City, Shaanxi Provice, the PRC | The property comprises a parcel of land with a site area of approximately 217,582.67 sq.m., and 9 buildings and various ancillary structures erected thereon which were completed 2017.<br><br>The buildings have a total gross floor area of approximately 68,156.70 sq.m. They mainly include manufactory buildings, warehouses, an office building, guard rooms and ancillary buildings.<br><br>The major structures include boundary walls, gas station and factory road.<br><br>The land use rights of the property have been granted for a term expiring on 21 January 2066 for industrial use. | The property is currently occupied by Baoji Target for production and ancillary purposes. | 74,120,000 *(Refer to note 9)* |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 January 2016, the land use rights of a parcel of land with a site area of approximately 217,582.70 sq.m. were contracted to be granted to Baoji Target for a term of 50 years for industrial use. The land premium was RMB52,238,900. As advised by Baoji Target, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate – Bao Gao Xin Guo Yong (2016) Di No. 001, the land use rights the land parcel of the property with a total site area of approximately 217,582.67 sq.m. have been granted to Baoji Target for a term expiring on 21 January 2066 for industrial use.

3. Pursuant to a Construction Land Planning Permit – Bao Gao Xin 2016 No. 01, permission towards the planning of the aforesaid land parcels with a total site area of approximately 217,582.67 sq.m. has been granted to Baoji Target.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. Bao Gao Xin 2016 (20) in favour of Baoji Target, an industrial complex with a total gross floor area of approximately 67,877.3 sq.m. has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – Bao Gao Xin Jian Shi (2016) Di No. 38 in favour of Baoji Target the commencement of the construction work of the property with a gross floor area of approximately 67,877.3 sq.m. has been permitted.

6. As advised by Baoji target, they have not obtained relevant title certificates to the 9 buildings of the property with a gross floor area of approximately 68,156.70 sq.m..

7. According to the information provided by the Baoji Target, a summary of major certificates/approvals of the property are set out as below:

| Type | Items | GFA/Planed GFA(sq.m.) | Building Ownership Certificate | Construction Work Commencement Permit | Construction Work Planning Permit |
|---|---|---|---|---|---|
| Completed Building | 9 | 68,156.70 | N/A | Yes | Yes |
| total | Sub-total | 68,156.70 | | | |

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

   a. Baoji Target has legally obtained the Land Use Rights Certificates of the land of the property and is entitled to legally occupy, use, lease, transfer and mortgage the land;

   b. there is no legal impediment for Baoji Target to obtain relevant title certificates for the buildings mentioned in note 6 after passing the completion and inspection acceptance; and

   c. the property is not subject to mortgage or any other encumbrances.

9. In the valuation of the property, we have attributed no commercial value to the buildings of the property in note 6 which are lack of proper title certificates. However, for reference purpose, we are of the opinion that the market value of them (excluding the land portion) as at the valuation date would be RMB193,930,000 assuming all title certificates have been obtained and they could be freely transferred.

The values of different elements of the property are set out as below:

| Element | Market value with proper title certificate | Market value without proper title certificate |
|---|---|---|
| Land | 62,780,000 | |
| Structures | 11,340,000 | |
| Buildings | | 193,930,000 |
| Total | 74,120,000 | 193,930,000 |

10. The property will contribute a significant portion of revenue to Baoji Target, we are of the view that the property is the material property to Baoji Target:

Details of the material property:

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at the north of Gaoxin Avenue and west of Chuangye Road. It is closed to Xibao Highway and Provincial Highway and is approximately 1.7 kilometers away from the center of Chencang District. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | Baoji Target has obtained the Land Use Rights Certificates for the land, but has not obtained Building Ownership Title Certificates for the buildings. |
| (d) | Future plans for construction, renovation, improvement or development of the property | : | As advised by Baoji Target, there is no plan for new major development in the next 12 months from the date of this document. |
| (e) | Environmental Issue | : | No evironmental impact assessment has been carried out. |

## VALUATION CERTIFICATE

**Group II – Property interest held under development by the Target Companies in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 September 2017 *RMB* |
|---|---|---|---|---|
| 4. | Phase II of an industrial complex under construction located at No.199 Chunxiao Avenue, Beilun District, Ningbo City, Zhejiang Province, the PRC | The property comprises a parcel of land with a site area of approximately 80,113.3 sq.m. and 10 buildings under construction (the "**CIP**").<br><br>The CIP includes 2 manufactory buildings, 2 ancillary buildings and 6 staff dormitory buildings with a total planned gross floor area of approximately 77,513.10 sq.m. As advised by SZX Target, the buildings will be completed in April 2019.<br><br>As advised SZX Target, the total construction cost of the CIP is estimated to be approximately RMB267,943,000, of which RMB17,316,000 had been paid up to the valuation date.<br><br>The land use rights of the property have been granted for a term expiring on 24 December 2063 for industrial use. | The property is currently under construction. | 32,000,000<br>*(Refer to note 7)* |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 18 November 2013, the land use right of a parcel of land with a site area of approximately 80,113.30 sq.m. were contracted to be granted to SZX Target for term of 50 years for industrial use. The total land premium was RMB23,072,630. As advised by SZX Target, the land premium has been paid in full.

2. Pursuant to a Real Estate Title Certificate – Zhe (2017) Bei Lun Qu Bu Dong Chan Quan Di No. 0029417, the land use rights of the land parcel of the property with a site area of approximately 80,113.30 sq.m. have been granted to SZX Target for a term expiring on 24 December 2063 for industrial use.

3. Pursuant to a Construction Land Planning Permit –Di Zi Di 330206201503038 (2015) Jian Gui Di Zi No. 0290026, permission towards the planning of the aforesaid land parcel with a site area of approximately 80,113.30 sq.m. has been granted to SZX Target.

4. As advised by SZX Target, they have not obtained construction permits for the CIP of the property.

5. The market value of the CIP (exclusive of the land portion) when completed is estimated to be RMB278,000,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

   a. SZX Target has legally obtained the Land Use Rights Certificate of the land of the property and is entitled to legally occupy, use, lease, transfer and mortgage the land;

   b. there is no legal impediment for SZX Target to obtain relevant title certificates for the CIP after obtaining relevant construction permits and passing the completion and inspection acceptance; and

   c. the property is not subject to mortgage or any other encumbrances.

7. In the valuation of the property, we have attributed no commercial value to the CIP of the property mentioned in note 4 which is lack of construction permits. However, for reference purpose, we are of the opinion that the market value of the CIP (excluding the land portion) as at the valuation date would be RMB22,780,000 assuming all relevant construction permits have been obtained.

   The values of different elements of the property are set out as below:

| **Element** | **Market value with proper title certificate** | **Market value without proper title certificate** |
|---|---|---|
| Land | 32,000,000 | |
| CIP | | 22,780,000 |

8. The property will contribute a significant portion of revenue to SZX Target, we are of the view that the property is the material property:

Details of the material property

| | | | |
|---|---|---|---|
| (a) | General description of location of the property | : | The property is located at the east of Ningbo City. It is closed to S215 Highway and Provincial Highway, and is approximately 25 kilometers away from the center of Beilun District. |
| (b) | Details of encumbrances, liens, pledges, mortgages against the property | : | The property is not subject to any mortgage or pledges. |
| (c) | Environmental Issue | : | No environmental impact assessment has been carried out. |
| (d) | Details of investigations, notices, pending litigation, breaches of law or title defects | : | SZX Target has obtained the Land Use Rights Certificate for the land, but has not obtained Building Ownership Title Certificates for the buildings. |
| (e) | Future plans for construction, renovation, improvement or development of the property | : | As advised by SZX Target, the capital expenditure required for the development of the plants in the next 12 months from the date of this document would be RMB250,627,000. |

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Pat XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules were as follows:

#### *(i) Director's and chief executive's interests and short positions in the shares of the Company*

| **Name of director** | **Nature of interests** | **Number or attributable number of shares** | | **Approximate percentage or attributable percentage of shareholding** |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| **Shares** | | | | |
| Mr. Li Shu Fu *(Note 1)* | Interest in controlled corporations | 3,925,464,000 | – | 43.77 |
| Mr. Li Shu Fu | Personal | 23,140,000 | – | 0.26 |
| Mr. Yang Jian | Personal | 14,475,000 | – | 0.16 |
| Mr. Li Dong Hui, Daniel | Personal | 4,200,000 | – | 0.05 |
| Mr. Gui Sheng Yue | Personal | 14,300,000 | – | 0.16 |
| Mr. An Cong Hui | Personal | 16,280,000 | – | 0.18 |
| Mr. Ang Siu Lun, Lawrence | Personal | 4,270,000 | – | 0.05 |
| Ms. Wei Mei | Personal | 4,170,000 | – | 0.05 |
| Mr. Lee Cheuk Yin, Dannis | Personal | 200,000 | – | 0.002 |

*Note:*

1. Proper Glory Holding Inc. ("**Proper Glory**") and its concert parties in aggregate hold interests of 3,925,464,000 shares, representing approximately 43.77% of the total issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited.

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

| Names of director | Nature of interests | Number or attributable number of shares | | Approximate percentage or attributable percentage of shareholding |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| **Share Options** | | | | |
| Mr. Li Shu Fu *(Note 1)* | Interest in controlled corporations | 175,600,000 | – | 1.96 |
| Mr. Yang Jian | Personal | 9,000,000 *(Note 2)* | – | 0.10 |
| Mr. Li Dong Hui, Daniel | Personal | 3,500,000 *(Note 3)* | – | 0.04 |
| 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 | 4,700,000 *(Note 2)* | – | 0.05 |
| 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 | 900,000 *(Note 2)* | – | 0.01 |
| 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 |
| Mr. Lee Cheuk Yin, Dannis | Personal | 200,000 *(Note 2)* | – | 0.002 |
| Mr. Lee Cheuk Yin, Dannis | Personal | 500,000 *(Note 4)* | – | 0.006 |
| Mr. Yeung Sau Hung, Alex | Personal | 200,000 *(Note 2)* | – | 0.002 |

| Names of director | Nature of interests | Number or attributable number of shares | | Approximate percentage or attributable percentage of shareholding |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| Mr. Yeung Sau Hung, Alex | Personal | 500,000 *(Note 4)* | – | 0.006 |
| Mr. An Qing Heng | Personal | 750,000 *(Note 4)* | – | 0.008 |
| Mr. Wang Yang | Personal | 1,000,000 *(Note 4)* | – | 0.01 |

*Notes:*

1. Mr. Li Shu Fu and his concert parties in aggregate hold derivatives' interest of 175,600,000 shares, representing approximately 1.96% of the total issued share capital of the Company as at the Latest Practicable Date.

2. The interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK$4.07 for each Share during the period from 18 January 2010 to 17 January 2020. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as the Latest Practicable Date.

3. The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as the Latest Practicable Date.

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

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

| Name of director | Name of the associated corporations | Number of shares in the associated corporations | | Approximate percentage of shareholding |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| Mr. Li Shu Fu | Proper Glory Holding Inc. | *(Note 1)* | – | *(Note 1)* |
| Mr. Li Shu Fu | Geely Group Limited | 50,000 | – | 60 |
| Mr. Li Shu Fu | Zhejiang Geely Holding Group Company Limited | *(Note 2)* | – | *(Note 2)* |
| Mr. Li Shu Fu | Zhejiang Geely Automobile Company Limited | *(Note 3)* | – | *(Note 3)* |
| Mr. Li Shu Fu | Shanghai Maple Automobile Company Limited | *(Note 4)* | – | *(Note 4)* |
| Mr. Li Shu Fu | Zhejiang Haoqing Automobile Manufacturing Company Limited | *(Note 5)* | – | *(Note 5)* |
| Mr. Li Shu Fu | Zhejiang Jirun Automobile Company Limited | *(Note 6)* | – | *(Note 6)* |
| Mr. Li Shu Fu | Shanghai Maple Guorun Automobile Company Limited | *(Note 7)* | – | *(Note 7)* |
| Mr. Li Shu Fu | Zhejiang Ruhoo Automobile Company Limited | *(Note 8)* | – | *(Note 8)* |
| Mr. Li Shu Fu | Hunan Geely Automobile Components Company Limited | *(Note 9)* | – | *(Note 9)* |
| Mr. Li Shu Fu | Chengdu Gaoyuan Automobile Industries Company Limited | *(Note 10)* | – | *(Note 10)* |
| Mr. Li Shu Fu | Jinan Geely Automobile Company Limited | *(Note 11)* | – | *(Note 11)* |
| Mr. Li Shu Fu | Baoji Geely Automobile Components Company Limited | *(Note 12)* | – | *(Note 12)* |
| Mr. Li Shu Fu | Shanxi Geely Automobile Components Company Limited | *(Note 13)* | – | *(Note 13)* |
| Mr. Li Shu Fu | Zhejiang Jirun Chunxiao Automobile Components Company Limited | *(Note 14)* | – | *(Note 14)* |

*Notes:*

1. Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

2. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

3. Zhejiang Geely Automobile Company Limited ("**Zhejiang Geely**") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

4. Shanghai Maple Automobile Company Limited ("**Shanghai Maple**") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

5. Zhejiang Haoqing Automobile Manufacturing Company Limited ("**Zhejiang Haoqing**") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

6. Zhejiang Jirun Automobile Company Limited ("**Zhejiang Jirun**") is incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

7. Shanghai Maple Guorun Automobile Company Limited ("**Shanghai Maple**") is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

8. Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

9. Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

10. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

11. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1%-owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

12. Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

13. Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

14. Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

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

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

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

| **Name** | **Nature of interests** | **Number of shares held** | | **Approximate percentage of shareholding** |
|---|---|---|---|---|
| | | *Long position* | *Short position* | *(%)* |
| Proper Glory Holding Inc. *(Note 1)* | Beneficial owner | 2,636,705,000 | – | 29.40 |
| Geely Holding *(Note 1)* | Interest in controlled corporation | 3,925,377,000 | – | 43.77 |
| Geely Group Limited | Beneficial owner | 87,000 | – | 0.001 |
| *(Note 1)* | Interest in controlled corporation | 2,636,705,000 | – | 29.40 |
| Zhejiang Geely *(Note 2)* | Beneficial owner | 776,408,000 | – | 8.66 |

*Notes:*

(1) Proper Glory Holding Inc. ("**Proper Glory**") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("**Geely Holding**") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

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

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

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

## 3. FURTHER INFORMATION CONCERNING DIRECTORS

### A. Directors' service agreements

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

### B. Competing interests

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

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "**Volvo Acquisition**"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group's product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd (the "**Proton Acquisition**"). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has not been completed as at the Latest Practicable Date. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Proton Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Although the vehicles being produced by Proton Holdings Bhd occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

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

**C. Directors' Interests in Assets, Contracts or Arrangement**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

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

- ***Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)***

  - *Sales of complete knock down kits ("**CKDs**") and sedan tool kits from the Group to the Geely Holding Group*

  Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015 and 18 October 2016, the Group agreed to supply to the Geely Holding Group the CKDs and sedan tool kits in accordance with the product specifications set out in the services agreement with an aggregate largest annual cap of RMB100,974,729,000.

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

  Pursuant to the services agreement dated 27 November 2009 and the Company's announcements dated 13 November 2015 and 18 October 2016, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components; and to provide process manufacturing services to the Group in accordance with the product and service specifications set out in the services agreement with an aggregate largest annual cap of RMB128,618,864,000.

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

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

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

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

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

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

- *Electric vehicle agreement and the supplemental electric vehicle agreement between the Company and Geely Holding (the electric vehicle agreement and the supplemental electric vehicle agreement have an effective term until 31 December 2018)*

Pursuant to the electric vehicle agreement dated 13 November 2015 and the supplemental electric vehicle agreement dated 5 October 2016, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group in accordance with the product and service specifications set out in the electric vehicle agreement with the largest annual cap being RMB9,487,180,000.

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

The Shareholders' meetings in respect of the aforesaid electric vehicle agreement and the supplemental electric vehicle agreement were held on 30 December 2015 and 28 November 2016, respectively, and the electric vehicle agreement and the supplemental electric vehicle agreement were duly approved by the then Independent Shareholders.

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

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

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

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

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

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

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

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

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

- ***The Volvo finance cooperation agreements amongst Genius AFC, VCDC and ZJSH (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (the Volvo finance cooperation agreements have an effective term until 31 December 2018) (capitalized terms were defined in the circular of the Company dated 28 January 2016)***

  - *Wholesale facility agreement between Genius AFC and Volvo Dealers (the wholesale facility agreement has an effective term until 31 December 2018)*

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

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

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

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

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

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

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

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

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

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

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

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

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

### D. Director's Service Contracts

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

## 4. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company have been made up.

## 6. QUALIFICATION OF EXPERTS

The following is the qualification of the experts or professional advisers who has given opinion or advice contained in this circular:

| Name | Qualification |
|---|---|
| Dakin Capital | a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities |
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | Independent professional valuer |

As at the Latest Practicable Date, each of the above experts:

(a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2016, the date to which the latest audited financial statements of the Group was made up; and

(c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the master disposal agreement dated 25 July 2016 entered into between the Company and Geely Holding pursuant to which the Group agreed to dispose of and Geely Holding Group agreed to acquire the equity interests in (i) 50% of the registered capital of the 康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.); and (ii) 45% of the registered capital of 寧海知豆電動汽車有限公司 (Ninghai Zhidou Electric Vehicles Co., Ltd.). The aggregate consideration for the disposal is RMB1,346,486,590;

(b) the acquisition agreement dated 1 June 2016 entered into between Zhejiang Jirun and 寶雞吉利汽車有限公司 (Baoji Geely Automobile Company Limited) ("**Baoji Geely**"), a wholly owned subsidiary of Zhejiang Haoqing, pursuant to which Zhejiang Jirun agreed to acquire and Baoji Geely agreed to sell the entire issued share capital of 寶雞吉利汽車部件有限公司 (Baoji Geely Automobile Components Company Limited) for a consideration of RMB702,206,798;

(c) the acquisition agreement dated 1 June 2016 entered into between Zhejiang Jirun and 山西新能源汽車工業有限公司 (Shanxi New Energy Automobile Industrial Company Limited) ("**Shanxi Geely**"), a wholly owned subsidiary of Zhejiang Haoqing, pursuant to which Zhejiang Jirun agreed to acquire and Shanxi Geely agreed to sell the entire issued share capital of 山西吉利汽車部件有限公司 (Shanxi Geely Automobile Components Company Limited) for a consideration of RMB720,244,135; and

(d) the disposal agreement dated 4 August 2017 entered into amongst 浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts & Components Company Limited) ("**Fulin Guorun**"), an indirect wholly owned subsidiary of the Company, and Centurion Industries Limited ("**Centurion**"), a direct wholly owned subsidiary of the Company, and Zhejiang Haoqing pursuant to which Fulin Guorun and Centurion agreed to dispose and Zhejiang Haoqing agreed to acquire the 99% equity interests in 浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited) at an aggregate consideration of RMB1,241,686,840;

(e) the joint venture agreement dated 4 August 2017 entered into amongst Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to which they agreed to form a joint venture, namely the LYNK & CO, to engage in the manufacturing and sale of vehicles under the LYNK & CO brand, and the provision of after-sale services relating thereto. Pursuant to such joint venture agreement, LYNK & CO is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. The registered capital of the LYNK & CO is RMB7,500,000,000, which is contributed by Zhejiang Jirun, Zhejiang Haoqing and VCI in cash in proportion to their respective equity interests in the LYNK & CO;

(f) the disposal agreement dated 26 October 2017 entered into between Zhejiang Jirun and LYNK & CO pursuant to which Zhejiang Jirun agreed to dispose of the entire 100% equity interests in 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited), to LYNK & CO at a consideration of RMB100,000,000;

(g) the acquisition agreement dated 7 November 2017 entered into between Geely Luoyou and Zhejiang Geely pursuant to which Geely Luoyou has conditionally agreed to acquire and Zhejiang Geely has conditionally agreed to sell the entire issued share capital of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited) for a consideration of RMB345,100,000;

(h) the acquisition agreement dated 7 November 2017 entered into amongst Geely Luoyou, Zhejiang Geely and Shanghai Maple pursuant to which Geely Luoyou has conditionally agreed to acquire, and Zhejiang Geely and Shanghai Maple have conditionally agreed to sell the entire issued share capital of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited) for a consideration of RMB495,000,000; and

(i) the acquisition agreement dated 7 November 2017 entered into between Geely Luoyou and Geely Holding pursuant to which Geely Luoyou has conditionally agreed to acquire and Geely Holding has conditionally agreed to sell the entire issued share capital of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited) for a consideration of RMB993,100,000.

## 8. GENERAL

(a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.

(c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM on Wednesday, 27 December 2017:

(a) The copies of the Acquisition Agreements, the Powertrain Sales Agreement and the Services Agreement;

(b) the memorandum and articles of association of the Company;

(c) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2015 and 31 December 2016;

(d) the condensed consolidated financial statements of the Group for the six months ended 30 June 2017;

(e) the contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix;

(f) the letter from the Independent Board Committee;

(g) the letter from the Independent Financial Adviser;

(h) the valuation report on the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings issued by JLL as set out in Appendix I of this circular;

(i) the written consent from Dakin Capital referred to in the paragraph headed "QUALIFICATION OF EXPERTS" in this appendix;

(j) the written consent from JLL referred to in the paragraph headed "QUALIFICATION OF EXPERTS" in this appendix; and

(k) 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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Geely Automobile Holdings Limited (the "**Company**") will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 27 December 2017 at 4:30 p.m. or at any adjustment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolutions of the Company:

## ORDINARY RESOLUTIONS

To consider and, if though fit, pass with or without amendment, the following resolutions as the ordinary resolutions of the Company:

1. "**THAT**:

   the conditional sale and purchase agreement dated 7 November 2017 (the "**Baoji Acquisition Agreement**") entered into between 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited), an indirect 99% owned subsidiary of the Company, as purchaser and 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited), as vendor in relation to the acquisition of the entire registered capital of 寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited), (a copy of which is tabled at the meeting and marked "**A**" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company)."

2. "**THAT**:

   The conditional sale and purchase agreement dated 7 November 2017 (the "**Yili Acquisition Agreement**") entered into between 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited), an indirect 99% owned subsidiary of the Company, as purchaser and 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited) and 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), as vendors in relation to the acquisition of the entire registered capital of 浙江義利汽車零部件有限公司 (Zhejiang Yili Automobile Components Company Limited), (a copy of which is tabled at the meeting and marked "**B**" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company)."

3. "**THAT**:

the conditional sale and purchase agreement dated 7 November 2017 (the "**SZX Acquisition Agreement**") entered into between 浙江吉利羅佑發動機有限公司 (Zhejiang Geely Luoyou Engine Company Limited), an indirect 99% owned subsidiary of the Company, as purchaser and 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), as vendor in relation to the acquisition of the entire registered capital of 寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited), (a copy of which is tabled at the meeting and marked "**C**" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and any one or more directors of the Company be and is/are hereby authorized to do all such acts and things which he/she/they may consider necessary, desirable or expedient to implement the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company)."

4. "**THAT**:

a) the conditional agreement dated 7 November 2017 (the "**Powertrain Sales Agreement**") entered into amongst the Company, 領克投資有限公司 (LYNK & CO Investment Co., Ltd.) ("**LYNK & CO**", together with its subsidiaries, the "**LYNK & CO Group**"), a Chinese-foreign equity joint venture of 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 "**D**" and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company together with its subsidiaries agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group, be and is hereby approved, ratified and confirmed;

b) the annual cap amounts in respect of the sales of vehicle engines, transmissions and related after-sales parts for each of the three financial years ending 31 December 2018, 2019 and 2020 be and are hereby approved; and

c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to 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 Powertrain Sales Agreement."; and

5. “**THAT**:

a) the annual cap amounts in respect of the supply of CKDs (as defined in the circular of the Company dated 8 December 2017 (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 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**”) be revised to the annual cap amounts as set out in the Circular for the two financial years ending 31 December 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, 8 December 2017

*Notes:*

(1) Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.

(2) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.

(3) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

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