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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 175)

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

**Financial adviser to Geely Automobile Holdings Limited**



**CIMB Securities (HK) Limited**

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



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A letter from the Board is set out on pages 6 to 20 of this circular and a letter from the Independent Board Committee is set out on page 21 of this circular. A letter from Quam Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders in respect of the fairness and reasonableness of the terms of the Connected Transactions is set out on pages 22 to 35 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 Thursday, 29 December 2011 at 10:00 a.m. is set out on pages 44 to 46 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

12 December 2011

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## DEFINITIONS

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

“Acquisitions”	together, the Zhejiang Jirun Acquisition, the Shanghai Maple Guorun Acquisition, the Zhejiang Kingkong Acquisition, the Zhejiang Ruhoo Acquisition and the Hunan Geely Acquisition
“Agreements”	together, the Zhejiang Jirun Agreement, the Shanghai Maple Guorun Agreement, the Zhejiang Kingkong Agreement, the Zhejiang Ruhoo Agreement and the Hunan Geely Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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
“Connected Transactions”	collectively, the transactions contemplated under the Zhejiang Jirun Agreement, the Shanghai Maple Guorun Agreement, the Zhejiang Kingkong Agreement, the Zhejiang Ruhoo Agreement and the Hunan Geely Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Connected Transactions
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively; Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC

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## DEFINITIONS

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“Hunan Geely”	湖南吉利汽車部件有限公司 (Hunan Geely Automobile Components Company Limited), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company; Hunan Geely is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Hunan Geely Acquisition”	the transactions contemplated under the Hunan Geely Agreement
“Hunan Geely Agreement”	an equity transfer agreement dated 25 November 2011 entered into between Zhejiang Haoqing and Zhejiang Fulin Guorun pursuant to which Zhejiang Haoqing agrees to transfer an 8% interest in the registered capital of Hunan Geely to Zhejiang Fulin Guorun
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors, namely Mr. Song Lin, Mr. Lee Cheuk Yin, Dannis, and Mr. Yeung Sau Hung, Alex, established for the purpose of advising the Independent Shareholders on the Connected Transactions
“Independent Shareholders”	Shareholders other than Mr. Li and his associates
“Latest Practicable Date”	8 December 2011, being the latest practicable date prior to the bulk-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
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Quam Capital”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Connected Transactions

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## DEFINITIONS

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“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)
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a limited liability company incorporated in the PRC and is owned as to 90% by Geely Holding and as to 10% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Company Limited) respectively, which is in turn owned by the senior management of Geely Holding. Shanghai Maple is principally engaged in manufacturing and sales of automobile and related components, and manufacturing of air conditioning related parts
“Shanghai Maple Guorun”	上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited), a sino-foreign joint venture established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company; Shanghai Maple Guorun is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Shanghai Maple Guorun Acquisition”	the transactions contemplated under the Shanghai Maple Guorun Agreement
“Shanghai Maple Guorun Agreement”	the equity transfer agreement dated 25 November 2011 entered into between Shanghai Maple and Zhejiang Kingkong R&D pursuant to which Shanghai Maple agrees to transfer an 8% interest in the registered capital of Shanghai Maple Guorun to Zhejiang Kingkong R&D
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning given to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“USD”	United States dollar, the lawful currency of the United States of America
“Zhejiang Fulin Guorun”	浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts and Components Company Limited), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company; Zhejiang Fulin Guorun is principally engaged in the research, development, production, marketing and sales of automobile parts and related components in the PRC

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## DEFINITIONS

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“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited) (formerly known as 浙江吉利美日汽車有限公司 (Zhejiang Geely Merrie Automobile Company Limited)), a limited liability company incorporated in the PRC and is owned as to 90% by Geely Holding and as to 10% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Company Limited) respectively, which is in turn owned by the senior management of Geely Holding; Zhejiang Geely is principally engaged in the manufacturing and sales of automobile and related components, and manufacturing of air-conditioning related parts
“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited), a company incorporated in the PRC with limited liability, and is beneficially owned as to 90% by Geely Holding and as to 10% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Co. Ltd) respectively, which is in turn owned by the senior management of Geely Holding; Zhejiang Haoqing is principally engaged in the manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited) (formerly known as 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited)), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company; Zhejiang Jirun is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Zhejiang Jirun Acquisition”	the transactions contemplated under the Zhejiang Jirun Agreement
“Zhejiang Jirun Agreement”	an equity transfer agreement dated 25 November 2011 entered into between Zhejiang Geely and Zhejiang Kingkong R&D pursuant to which Zhejiang Geely agrees to transfer an 8% interest in the registered capital of Zhejiang Jirun to Zhejiang Kingkong R&D
“Zhejiang Kingkong”	浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile Company Limited), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company; Zhejiang Kingkong is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC

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## DEFINITIONS

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“Zhejiang Kingkong Acquisition”	the transactions contemplated under the Zhejiang Kingkong Agreement
“Zhejiang Kingkong Agreement”	an equity transfer agreement dated 25 November 2011 entered into between Zhejiang Haoqing and Zhejiang Fulin Guorun pursuant to which Zhejiang Haoqing agrees to transfer an 8% interest in the registered capital of Zhejiang Kingkong to Zhejiang Fulin Guorun
“Zhejiang Kingkong R&D”	浙江金剛汽車零部件研究開發有限公司 (Zhejiang Kingkong Automobile Parts and Components R&D Company Limited), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company; Zhejiang Kingkong R&D is principally engaged in the research and development of automobile parts and related components in the PRC
“Zhejiang Ruhoo”	浙江陸虎汽車有限公司 (Zhejiang Ruhoo Automobile Company Limited), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company; Zhejiang Ruhoo is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Zhejiang Ruhoo Acquisition”	the transactions contemplated under the Zhejiang Ruhoo Agreement
“Zhejiang Ruhoo Agreement”	an equity transfer agreement dated 25 November 2011 entered into between Zhejiang Haoqing and Zhejiang Fulin Guorun pursuant to which Zhejiang Haoqing agrees to transfer an 8% interest in the registered capital of Zhejiang Ruhoo to Zhejiang Fulin Guorun
“%”	per cent.

*Unless otherwise specified in this circular, amounts denominated in currencies below have been converted, for the purpose of illustration only, into HK\$ as follows:*

*RMB1 = HK\$1.2195*

*USD1 = HK\$7.787*

*No representation is made that any amount in HK\$ could have been or could be converted at the above rates or at any other rates or at all.*

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## LETTER FROM THE BOARD

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 175)

*Executive Directors:*

Mr. Li Shu Fu (*Chairman*)  
Mr. Yang Jian (*Vice Chairman*)  
Mr. Gui Sheng Yue (*CEO*)  
Mr. Ang Siu Lun, Lawrence  
Mr. Yin Da Qing, Richard  
Mr. Liu Jin Liang  
Dr. Zhao Fuquan  
Ms. Wei Mei  
Mr. Li Dong Hui, Daniel

*Non-executive Director:*

Mr. Wang Yang

*Independent Non-executive Directors:*

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

*Registered Office:*

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

*Principal Place of Business*

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

12 December 2011

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

### INTRODUCTION

Reference is made to the announcement of the Company dated 25 November 2011 in which the Company announced that, inter alia, the Group entered into the Agreements with the Geely Holding Group which constitute connected transactions of the Company under Chapter 14A.13 of the Listing Rules. The transactions contemplated under the Agreements also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

The purposes of this circular are (i) to provide the Shareholders with information on the Connected Transactions; (ii) to set out the view of the Independent Board Committee in respect of the fairness and reasonableness of the terms and conditions of the Connected Transactions; and (iii) to set out the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the fairness and reasonableness of the terms and conditions of the Connected Transactions.



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## LETTER FROM THE BOARD

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### THE AGREEMENTS

#### (I) The Zhejiang Jirun Agreement

**Date:** 25 November 2011

**Parties:** Zhejiang Kingkong R&D, as the transferee;  
Zhejiang Geely, as the transferor

Zhejiang Kingkong R&D is an indirect wholly-owned subsidiary of the Company.

Zhejiang Geely is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial shareholder holding approximately a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date, has more than 30% interest in it and therefore, it is an associate of a connected person of the Company.

**Subject matter:** Zhejiang Geely will transfer an 8% interest in the registered capital of Zhejiang Jirun to Zhejiang Kingkong R&D.

Zhejiang Jirun was set up in 2003 with a registered capital of USD330,715,081 (equivalent to approximately HK\$2,575,278,300) and was owned as to 91% by the Group and as to 9% by Zhejiang Geely, respectively.

**Consideration:** A cash consideration of RMB350,477,000 (round to the nearest hundred and equivalent to approximately HK\$427,411,000) is payable to Zhejiang Geely for the 8% interest in Zhejiang Jirun.

The consideration has been arrived at after arm's length negotiations between Zhejiang Kingkong R&D and Zhejiang Geely with reference to the net asset value of the 8% interest in the registered capital of Zhejiang Jirun of RMB350,477,000 (round to the nearest hundred and representing approximately HK\$427,411,000) as at 30 September 2011. The Group intends to finance the acquisition out of its internal resources and the consideration is payable in cash within two months after the completion of the Zhejiang Jirun Agreement.

As the consideration for the Zhejiang Jirun Acquisition is based on the net asset value of the 8% interest in the registered capital of Zhejiang Jirun as at 30 September 2011, the Directors (including the independent non-executive Directors) consider that the terms of the Zhejiang Jirun Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Conditions precedent for the Zhejiang Jirun Agreement

Completion of the Zhejiang Jirun Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted the transaction contemplated under the Zhejiang Jirun Agreement for filing pursuant to the applicable laws and regulations;
- (b) the change in the shareholding structure of Zhejiang Jirun has been registered with the relevant approval department for foreign investment enterprise and State Administration for Industry and Commerce with jurisdiction over Zhejiang Jirun;
- (c) Zhejiang Jirun being issued with the approval certificate of foreign investment enterprise and the new corporate business license;
- (d) the approval of the transaction contemplated under the Zhejiang Jirun Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);
- (e) the approval of the Independent Shareholders of the Company in the EGM for the transaction contemplated under the Zhejiang Jirun Agreement; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Kingkong R&D may at any time waive condition (f) by written notice to Zhejiang Geely before completion of the Zhejiang Jirun Agreement.

If the above conditions are not satisfied or waived by 31 March 2012 (or such later date as the parties may agree in writing), the Zhejiang Jirun Agreement will terminate and none of the parties to the Zhejiang Jirun Agreement will have any claim or liability hereunder to the other party to the Zhejiang Jirun Agreement.

### (II) The Shanghai Maple Guorun Agreement

**Date:** 25 November 2011

**Parties:** Zhejiang Kingkong R&D, as the transferee;  
Shanghai Maple, as the transferor

Zhejiang Kingkong R&D is an indirect wholly-owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial shareholder holding approximately a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date, has more than 30% interest in it and therefore, it is an associate of a connected person of the Company.

**Subject matter:**

Shanghai Maple will transfer an 8% interest in the registered capital of Shanghai Maple Guorun to Zhejiang Kingkong R&D.

Shanghai Maple Guorun was set up in 2003 with a registered capital of USD121,363,600 (equivalent to approximately HK\$945,058,400) and was owned as to 91% by the Group and as to 9% by Shanghai Maple, respectively.

**Consideration:**

A cash consideration of RMB116,590,900 (round to the nearest hundred and equivalent to approximately HK\$142,184,000) is payable to Shanghai Maple for the 8% interest in Shanghai Maple Guorun.

The consideration has been arrived at after arm's length negotiations between Zhejiang Kingkong R&D and Shanghai Maple with reference to the net asset value of the 8% interest in the registered capital of Shanghai Maple Guorun of RMB116,590,900 (round to the nearest hundred and representing approximately HK\$142,184,000) as at 30 September 2011. The Group intends to finance the acquisition out of its internal resources and the consideration is payable in cash within two months after the completion of the Shanghai Maple Guorun Agreement.

As the consideration for the Shanghai Maple Guorun Acquisition is based on the net asset value of the 8% interest in the registered capital of Shanghai Maple Guorun as at 30 September 2011, the Directors (including the independent non-executive Directors) consider that the terms of the Shanghai Maple Guorun Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

**Conditions precedent for the Shanghai Maple Guorun Agreement**

Completion of the Shanghai Maple Guorun Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted the transaction contemplated under the Shanghai Maple Guorun Agreement for filing pursuant to the applicable laws and regulations;

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## LETTER FROM THE BOARD

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- (b) the change in the shareholding structure of Shanghai Maple Guorun has been registered with the relevant approval department for foreign investment enterprise and State Administration for Industry and Commerce with jurisdiction over Shanghai Maple Guorun;
- (c) Shanghai Maple Guorun being issued with the approval certificate of foreign investment enterprise and the new corporate business license;
- (d) the approval of the transaction contemplated under the Shanghai Maple Guorun Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);
- (e) the approval of the Independent Shareholders of the Company in the EGM for the transaction contemplated under the Shanghai Maple Guorun Agreement; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Kingkong R&D may at any time waive condition (f) by written notice to Shanghai Maple before completion of the Shanghai Maple Guorun Agreement.

If the above conditions are not satisfied or waived by 31 March 2012 (or such later date as the parties may agree in writing), the Shanghai Maple Guorun Agreement will terminate and none of the parties to the Shanghai Maple Guorun Agreement will have any claim or liability hereunder to the other party to the Shanghai Maple Guorun Agreement.

### (III) The Zhejiang Kingkong Agreement

**Date:** 25 November 2011

**Parties:** Zhejiang Fulin Guorun, as the transferee;  
Zhejiang Haoqing, as the transferor

Zhejiang Fulin Guorun is an indirect wholly-owned subsidiary of the Company.

Zhejiang Haoqing is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial shareholder holding approximately a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date, has more than 30% interest in it and therefore, it is an associate of a connected person of the Company.

**Subject matter:** Zhejiang Haoqing will transfer an 8% interest in the registered capital of Zhejiang Kingkong to Zhejiang Fulin Guorun.

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## LETTER FROM THE BOARD

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Zhejiang Kingkong was set up in 2006 with a registered capital of RMB413,000,000 (equivalent to approximately HK\$503,658,500) and was owned as to 91% by the Group and as to 9% by Zhejiang Haoqing, respectively.

**Consideration:**

A cash consideration of RMB162,805,100 (round to the nearest hundred and equivalent to approximately HK\$198,542,800) is payable to Zhejiang Haoqing for the 8% interest in Zhejiang Kingkong.

The consideration has been arrived at after arm's length negotiations between Zhejiang Fulin Guorun and Zhejiang Haoqing with reference to the net asset value of the 8% interest in the registered capital of Zhejiang Kingkong of RMB162,805,100 (round to the nearest hundred and representing approximately HK\$198,542,800) as at 30 September 2011. The Group intends to finance the acquisition out of its internal resources and the consideration is payable in cash within two months after the completion of the Zhejiang Kingkong Agreement.

As the consideration for the Zhejiang Kingkong Acquisition is based on the net asset value of the 8% interest in the registered capital of Zhejiang Kingkong as at 30 September 2011, the Directors (including the independent non-executive Directors) consider that the terms of the Zhejiang Kingkong Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

**Conditions precedent for the Zhejiang Kingkong Agreement**

Completion of the Zhejiang Kingkong Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted the transaction contemplated under the Zhejiang Kingkong Agreement for filing pursuant to the applicable laws and regulations;
- (b) the change in the shareholding structure of Zhejiang Kingkong has been registered with the relevant approval department for foreign investment enterprise and State Administration for Industry and Commerce with jurisdiction over Zhejiang Kingkong;
- (c) Zhejiang Kingkong being issued with the approval certificate of foreign investment enterprise and the new corporate business license;
- (d) the approval of the transaction contemplated under the Zhejiang Kingkong Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);

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## LETTER FROM THE BOARD

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- (e) the approval of the Independent Shareholders of the Company in the EGM for the transaction contemplated under the Zhejiang Kingkong Agreement; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Fulin Guorun may at any time waive condition (f) by written notice to Zhejiang Haoqing before completion of the Zhejiang Kingkong Agreement.

If the above conditions are not satisfied or waived by 31 March 2012 (or such later date as the parties may agree in writing), the Zhejiang Kingkong Agreement will terminate and none of the parties to the Zhejiang Kingkong Agreement will have any claim or liability hereunder to the other party to the Zhejiang Kingkong Agreement.

### (IV) The Zhejiang Ruhoo Agreement

**Date:** 25 November 2011

**Parties:** Zhejiang Fulin Guorun, as the transferee;  
Zhejiang Haoqing, as the transferor

Zhejiang Fulin Guorun is an indirect wholly-owned subsidiary of the Company.

Zhejiang Haoqing is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial shareholder holding approximately a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date, has more than 30% interest in it and therefore, it is an associate of a connected person of the Company.

**Subject matter:** Zhejiang Haoqing will transfer 8% interest in the registered capital of Zhejiang Ruhoo to Zhejiang Fulin Guorun.

Zhejiang Ruhoo was set up in 2006 with a registered capital of RMB418,677,000 (equivalent to approximately HK\$510,581,700) and was owned as to 91% by the Group and as to 9% by Zhejiang Haoqing, respectively.

**Consideration:** A cash consideration of RMB52,581,400 (round to the nearest hundred and equivalent to approximately HK\$64,123,700) is payable to Zhejiang Haoqing for the 8% interest in Zhejiang Ruhoo.

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## LETTER FROM THE BOARD

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The consideration has been arrived at after arm's length negotiations between Zhejiang Fulin Guorun and Zhejiang Haoqing with reference to the net asset value of the 8% interest in the registered capital of Zhejiang Ruhoo of RMB52,581,400 (round to the nearest hundred and representing approximately HK\$64,123,700) as at 30 September 2011. The Group intends to finance the acquisition out of its internal resources and the consideration is payable in cash within two months after the completion of the Zhejiang Ruhoo Agreement.

As the consideration for the Zhejiang Ruhoo Acquisition is based on the net asset value of the 8% interest in the registered capital of Zhejiang Ruhoo as at 30 September 2011, the Directors (including the independent non-executive Directors) consider that the terms of the Zhejiang Ruhoo Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent for the Zhejiang Ruhoo Agreement**

Completion of the Zhejiang Ruhoo Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted the transaction contemplated under the Zhejiang Ruhoo Agreement for filing pursuant to the applicable laws and regulations;
- (b) the change in the shareholding structure of Zhejiang Ruhoo has been registered with the relevant approval department for foreign investment enterprise and State Administration for Industry and Commerce with jurisdiction over Zhejiang Ruhoo;
- (c) Zhejiang Ruhoo being issued with the approval certificate of foreign investment enterprise and the new corporate business license;
- (d) the approval of the transaction contemplated under the Zhejiang Ruhoo Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);
- (e) the approval of the Independent Shareholders of the Company in the EGM for the transaction contemplated under the Zhejiang Ruhoo Agreement; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Fulin Guorun may at any time waive condition (f) by written notice to Zhejiang Haoqing before completion of the Zhejiang Ruhoo Agreement.

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## LETTER FROM THE BOARD

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If the above conditions are not satisfied or waived by 31 March 2012 (or such later date as the parties may agree in writing), the Zhejiang Ruhoo Agreement will terminate and none of the parties to the Zhejiang Ruhoo Agreement will have any claim or liability hereunder to the other party to the Zhejiang Ruhoo Agreement.

### (V) The Hunan Geely Agreement

**Date:** 25 November 2011

**Parties:** Zhejiang Fulin Guorun, as the transferee;  
Zhejiang Haoqing, as the transferor

Zhejiang Fulin Guorun is an indirect wholly-owned subsidiary of the Company.

Zhejiang Haoqing is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial shareholder holding approximately a 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date, has more than 30% interest in it and therefore, it is an associate of a connected person of the Company.

**Subject matter:** Zhejiang Haoqing will transfer 8% interest in the registered capital of Hunan Geely to Zhejiang Fulin Guorun.

Hunan Geely was set up in 2007 with a registered capital of USD88,516,570 (equivalent to approximately HK\$689,278,500) and was owned as to 91% by the Group and as to 9% by Zhejiang Haoqing, respectively.

**Consideration:** A cash consideration of RMB135,009,700 (round to the nearest hundred and equivalent to approximately HK\$164,646,000) is payable to Zhejiang Haoqing for the 8% interest in Hunan Geely.

The consideration has been arrived at after arm's length negotiations between Zhejiang Fulin Guorun and Zhejiang Haoqing with reference to the net asset value of the 8% interest in the registered capital of Hunan Geely of RMB135,009,700 (round to the nearest hundred and representing approximately HK\$164,646,000) as at 30 September 2011. The Group intends to finance the acquisition out of its internal resources and the consideration is payable in cash within two months after the completion of the Hunan Geely Agreement.



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## LETTER FROM THE BOARD

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As the consideration for the Hunan Geely Acquisition is based on the net asset value of the 8% interest in the registered capital of Hunan Geely as at 30 September 2011, the Directors (including the independent non-executive Directors) consider that the terms of the Hunan Geely Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent for the Hunan Geely Agreement**

Completion of the Hunan Geely Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted the transaction contemplated under the Hunan Geely Agreement for filing pursuant to the applicable laws and regulations;
- (b) the change in the shareholding structure of Hunan Geely has been registered with the relevant approval department for foreign investment enterprise and State Administration for Industry and Commerce with jurisdiction over Hunan Geely;
- (c) Hunan Geely being issued with the approval certificate of foreign investment enterprise and the new corporate business license;
- (d) the approval of the transaction contemplated under the Hunan Geely Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);
- (e) the approval of the Independent Shareholders of the Company in the EGM for the transaction contemplated under the Hunan Geely Agreement; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Fulin Guorun may at any time waive condition (f) by written notice to Zhejiang Haoqing before completion of the Hunan Geely Agreement.

If the above conditions are not satisfied or waived by 31 March 2012 (or such later date as the parties may agree in writing), the Hunan Geely Agreement will terminate and none of the parties to the Hunan Geely Agreement will have any claim or liability hereunder to the other party to the Hunan Geely Agreement.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

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

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

Each of Zhejiang Geely, Shanghai Maple and Zhejiang Haoqing is principally engaged in the manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts.

Each of the Group's five key operating subsidiaries, namely Zhejiang Jirun, Shanghai Maple Guorun, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely, are principally engaged in production, marketing and sales of sedans and related automobile components in the PRC. The principal assets of Zhejiang Jirun, Shanghai Maple Guorun, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely are their manufacturing facilities.

The audited financial information of Zhejiang Jirun for the two financial years ended 31 December 2010 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") is set out below:

	<b>For the year ended 31 December 2010</b> (RMB)	<b>For the year ended 31 December 2009</b> (RMB)
Profit before taxation and extraordinary items	795,925,900 (Approximately HK\$970,641,300)	514,239,500 (Approximately HK\$627,121,300)
Profit after taxation and extraordinary items	666,897,800 (Approximately HK\$813,290,000)	456,697,000 (Approximately HK\$556,947,600)
	<b>As at 31 December 2010</b> (RMB)	<b>As at 31 December 2009</b> (RMB)
Net asset value as at 31 December 2009 and 2010, respectively	4,006,249,800 (Approximately HK\$4,885,670,500)	2,625,809,200 (Approximately HK\$3,202,206,300)

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## LETTER FROM THE BOARD

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The audited financial information of Shanghai Maple Guorun for the two financial years ended 31 December 2010 prepared in accordance with the HKFRSs is set out below:

	<b>For the year ended 31 December 2010</b> <i>(RMB)</i>	<b>For the year ended 31 December 2009</b> <i>(RMB)</i>
Profit before taxation and extraordinary items	299,867,800 (Approximately HK\$365,692,400)	101,297,600 (Approximately HK\$123,533,700)
Profit after taxation and extraordinary items	264,109,900 (Approximately HK\$322,085,200)	73,828,600 (Approximately HK\$90,034,900)
	<b>As at 31 December 2010</b> <i>(RMB)</i>	<b>As at 31 December 2009</b> <i>(RMB)</i>
Net asset value as at 31 December 2009 and 2010, respectively	1,271,414,200 (Approximately HK\$1,550,505,100)	859,843,000 (Approximately HK\$1,048,589,000)

The audited financial information of Zhejiang Kingkong for the two financial years ended 31 December 2010 prepared in accordance with the HKFRSs is set out below:

	<b>For the year ended 31 December 2010</b> <i>(RMB)</i>	<b>For the year ended 31 December 2009</b> <i>(RMB)</i>
Profit before taxation and extraordinary items	505,033,600 (Approximately HK\$615,894,600)	599,302,200 (Approximately HK\$730,856,300)
Profit after taxation and extraordinary items	440,075,500 (Approximately HK\$536,677,400)	523,904,400 (Approximately HK\$638,907,800)
	<b>As at 31 December 2010</b> <i>(RMB)</i>	<b>As at 31 December 2009</b> <i>(RMB)</i>
Net asset value as at 31 December 2009 and 2010, respectively	1,818,795,700 (Approximately HK\$2,218,043,500)	1,200,537,500 (Approximately HK\$1,464,070,100)

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## LETTER FROM THE BOARD

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The audited financial information of Zhejiang Ruhoo for the two financial years ended 31 December 2010 prepared in accordance with the HKFRSs is set out below:

	<b>For the year ended 31 December 2010</b> <i>(RMB)</i>	<b>For the year ended 31 December 2009</b> <i>(RMB)</i>
Profit before taxation and extraordinary items	70,439,700 (Approximately HK\$85,902,100)	29,768,500 (Approximately HK\$36,303,000)
Profit after taxation and extraordinary items	57,648,300 (Approximately HK\$70,302,800)	26,482,200 (Approximately HK\$32,295,400)
	<b>As at 31 December 2010</b> <i>(RMB)</i>	<b>As at 31 December 2009</b> <i>(RMB)</i>
Net asset value as at 31 December 2009 and 2010, respectively	575,380,400 (Approximately HK\$701,683,400)	493,702,100 (Approximately HK\$602,075,700)

The audited financial information of Hunan Geely for the two financial years ended 31 December 2010 prepared in accordance with the HKFRSs is set out below:

	<b>For the year ended 31 December 2010</b> <i>(RMB)</i>	<b>For the year ended 31 December 2009</b> <i>(RMB)</i>
Profit before taxation and extraordinary items	642,183,800 (Approximately HK\$783,151,000)	401,432,700 (Approximately HK\$489,552,100)
Profit after taxation and extraordinary items	575,061,200 (Approximately HK\$701,294,100)	350,803,600 (Approximately HK\$427,809,300)
	<b>As at 31 December 2010</b> <i>(RMB)</i>	<b>As at 31 December 2009</b> <i>(RMB)</i>
Net asset value as at 31 December 2009 and 2010, respectively	1,539,582,300 (Approximately HK\$1,877,539,400)	530,301,700 (Approximately HK\$646,709,400)

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

The Group has been focusing on manufacturing and sales of automobile and automobile parts and streamlining its corporate structure over the past few years, aiming at further improving its operating efficiency and enhancing the transparency of the Group. As at the date of the Latest Practicable Date, each of the Group's five key operating subsidiaries, namely Zhejiang Jirun, Shanghai Maple Guorun, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely, is an indirect 91%-owned subsidiary of the Company. Upon completion of the Agreements, each of these five key operating subsidiaries will be accounted for as an indirect 99%-owned subsidiary of the Group. As the consideration for the Acquisitions is determined based on the aggregated net asset values of the 8% interests in these five key operating subsidiaries, the Directors (including the independent non-executive Directors) believe that this is an attractive opportunity for the Group to increase its interests in these five key operating subsidiaries which will further improve profitability of the Group and thus return to the Shareholders.

Given the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

Each of Zhejiang Geely, Shanghai Maple and Zhejiang Haoqing is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial Shareholder, and his associates together hold 3,751,159,000 Shares (representing approximately a 50.30% interest in the issued share capital of the Company) as at the Latest Practicable Date, and Mr. Li has more than 30% interest in each of them and therefore, each of them is an associate of a connected person of the Company. Accordingly, the transactions contemplated under the Agreements constitute connected transactions of the Company pursuant to Rule 14A.13 of the Listing Rules. Under Chapter 14A of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) for the Agreements in aggregate exceed 5%, the Connected Transactions are subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules. Mr. Li is considered to have a material interest in the Connected Transactions by virtue of his interests in Zhejiang Geely, Shanghai Maple and Zhejiang Haoqing, and has abstained from voting on the Board resolution for approving the transactions contemplated under the Agreements. Mr. Li and his associates shall also abstain from voting on the resolutions to approve the Connected Transactions at the EGM. Further, as the applicable percentage ratios for the Agreements in aggregate exceed 5% but are less than 25%, the Acquisitions also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

### THE EGM

The EGM will be convened to approve the Connected Transactions. A notice to convene the EGM is set out on pages 44 to 46 of this circular. The EGM will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong on Thursday, 29 December 2011 at 10:00 a.m..

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## LETTER FROM THE BOARD

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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 branch share registrar in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. 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 should you so wish.

### INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Connected Transactions are fair and reasonable and in the interest of the Company and Independent Shareholders and the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Connected Transactions has been set out on page 21 of this circular. Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Connected Transactions and the letter of advice from Quam Capital containing its advice in respect of the Connected Transactions has been set out on pages 22 to 35 of this circular.

### RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Connected Transactions are on normal commercial terms, are entered into in the usual and ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be put forward at the EGM in respect of the Connected Transactions.

### ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendix to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Connected Transactions, which has been prepared for the purpose of inclusion in this circular.*



**吉 利 汽 車 控 股 有 限 公 司**  
**GEELY AUTOMOBILE HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 175)

12 December 2011

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 12 December 2011 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders in connection with the terms of the Connected Transactions, details of which are set out in the letter from the Board in the Circular. Quam Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from Quam Capital together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 22 to 35 of the Circular.

Having considered the terms of the Connected Transactions, the factors and reasons considered by, and the opinion of Quam Capital, we consider that the terms of the Connected Transactions are on normal commercial terms, in the usual and ordinary course of business and fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the Connected Transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Lee Cheuk Yin, Dannis**

**Mr. Song Lin**

**Mr. Yeung Sau Hung, Alex**

*Independent Non-executive Directors*

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## LETTER FROM QUAM CAPITAL

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



華富嘉洛  
企業融資

**Quam Capital Limited**

A Member of The Quam Group

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12 December 2011

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

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions. Details of the terms of the Agreements are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 12 December 2011 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 25 November 2011, the Group entered into the Agreements with Zhejiang Geely, Shanghai Maple and Zhejiang Haoqing (collectively, the “**Vendors**”) respectively in relation to the proposed acquisition of 8% interest in the registered capital of each of Zhejiang Jirun, Shanghai Maple Guorun, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely (collectively, the “**Target Subsidiaries**”) from the Vendors respectively. Each of the Vendors is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is an associate of Mr. Li, an executive Director and a substantial Shareholder holding an approximately 50.30% interest in the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Connected Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. All the Connected Transactions are subject to the approval of the Independent Shareholders at the EGM by way of poll.



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## LETTER FROM QUAM CAPITAL

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

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

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

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in respect of the Connected Transactions, we have taken into consideration the following principal factors and reasons:

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## LETTER FROM QUAM CAPITAL

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### 1. Background of and reasons for the Connected Transactions

#### (a) Financial performance 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.

Set out below is a summary of the consolidated financial results of the Company for each of the two years ended 31 December 2010 and the six months ended 30 June 2011 as extracted from its annual report for the year ended 31 December 2010 and its interim report for the six months ended 30 June 2011 (the “Interim Report”):

**Table 1**

	(Audited)		(Unaudited)
	Year ended 31 December		Six months ended 30 June
	2009	2010	2011
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
Turnover	14,069,225	20,099,388	10,537,962
Profit attributable to the equity holders of the Company	1,182,740	1,368,437	937,648
	As at 31 December		As at 30 June
	2009	2010	2011
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
Equity attributable to the equity holders of the Company	6,375,613	8,021,882	8,889,682

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## LETTER FROM QUAM CAPITAL

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As illustrated in Table 1 above, the turnover for the year ended 31 December 2010 increased significantly by approximately 43% to approximately RMB20.1 billion, which was mainly attributable to the strong growth of the Group's sales volume in the PRC market and continued improvement in product mix towards higher priced models. It is further noted that the Group recorded profit attributable to the equity holders of the Company of approximately RMB1.18 billion, RMB1.37 billion and RMB0.94 billion for each of the two years ended 31 December 2010 and the six months ended 30 June 2011 respectively. We were advised that such increasing trend was mainly due to higher vehicles sales volume and stable product prices and production costs. As disclosed in the Interim Report, the Group sold a total of 213,381 units of vehicles in the first half of 2011, representing an increase of approximately 9% from the corresponding period in 2010 and achieving approximately 44% of the Group's sales volume target of 480,000 units for the year 2011. The Group's domestic sales volume in the first half of 2011 increased approximately 6% to 199,996 units, and maintained at over 4% market share in China's sedan market. The Group also owns automobile facilities in Ningbo, Shanghai, Linhai, Luqiao, Xiangtan, Lanzhou, Jinan and Chengdu, the PRC with a total usable annual production capacity of 560,000 units per shift by the end of 2010.

We have discussed with the management of the Company the factors contributing to the Group's performance in business development and expansions in the PRC automobile market as well as its financial results and position. We were advised that the key factors include, among others, the growth of the PRC's sedan demand, the implementation of the "Multi-brand Strategy" and the "Platform Strategy" in product development. The Directors believed that the above strategies would improve the Group's overall brand image, customer satisfactions, product quality and reliability and expand its production facilities and its market coverage to inland regions in the PRC. As advised by the management of the Company, the penetration rate for motor vehicles in the PRC is still relatively low and the PRC government introduced supportive policies in the automobile industry including the new incentives in 2010 to promote fuel-efficient and environmental friendly economy sedans. In view of the above, the management of the Company believes that the PRC's motor vehicle market would remain one of the best performing markets in the coming years and the Group is well positioned to capture the sales growth for the automobile market in the PRC.

**(b) Information on the Target Subsidiaries**

As at the Latest Practicable Date, each of the Target Subsidiaries is an indirect 91%-owned subsidiary of the Company and is principally engaged in research, development, production, marketing and sales of sedans and related automobile components in the PRC. The principal assets of the Target Subsidiaries are their respective manufacturing facilities in Ningbo, Shanghai, Linhai, Luqiao, Xiangtan, Chengdu, Jinan and Lanzhou, the PRC.

Set out below is a summary of profit after taxation and extraordinary items for each of the two years ended 31 December 2010 and net asset value of the Target Subsidiaries as at 31 December 2009, 31 December 2010 and 30 September 2011:

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**LETTER FROM QUAM CAPITAL**

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**Table 2**

<b>Target Subsidiaries</b>	<b>(Audited) Profit after taxation and extraordinary items (Note 1) RMB</b>	<b>(Audited) Net asset value (Note 1) RMB</b>
– Zhejiang Jirun	2009: 456,697,000 (equivalent to approximately HK\$556,947,600)	2009: 2,625,809,200 (equivalent to approximately HK\$3,202,206,300)
	2010: 666,897,800 (equivalent to approximately HK\$813,290,000)	2010: 4,006,249,800 (equivalent to approximately HK\$4,885,670,500)
		2011: 4,380,962,400 (equivalent to approximately HK\$5,342,637,100) (Note 2)
– Shanghai Maple Guorun	2009: 73,828,600 (equivalent to approximately HK\$90,034,900)	2009: 859,843,000 (equivalent to approximately HK\$1,048,589,000)
	2010: 264,109,900 (equivalent to approximately HK\$322,085,200)	2010: 1,271,414,200 (equivalent to approximately HK\$1,550,505,100)
		2011: 1,457,386,200 (equivalent to approximately HK\$1,777,300,200) (Note 2)
– Zhejiang Kingkong	2009: 523,904,400 (equivalent to approximately HK\$638,907,800)	2009: 1,200,537,500 (equivalent to approximately HK\$1,464,070,100)
	2010: 440,075,500 (equivalent to approximately HK\$536,677,400)	2010: 1,818,795,700 (equivalent to approximately HK\$2,218,043,500)
		2011: 2,035,063,600 (equivalent to approximately HK\$2,481,784,900) (Note 2)

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## LETTER FROM QUAM CAPITAL

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– Zhejiang Ruhoo	2009: 26,482,200 (equivalent to approximately HK\$32,295,400)	2009: 493,702,100 (equivalent to approximately HK\$602,075,700)
	2010: 57,648,300 (equivalent to approximately HK\$70,302,800)	2010: 575,380,400 (equivalent to approximately HK\$701,683,400)
		2011: 657,267,300 (equivalent to approximately HK\$801,545,500) ( <i>Note 2</i> )
– Hunan Geely	2009: 350,803,600 (equivalent to approximately HK\$427,809,300)	2009: 530,301,700 (equivalent to approximately HK\$646,709,400)
	2010: 575,061,200 (equivalent to approximately HK\$701,294,100)	2010: 1,539,582,300 (equivalent to approximately HK\$1,877,539,400)
		2011: 1,687,621,100 (equivalent to approximately HK\$2,058,074,500) ( <i>Note 2</i> )

*Notes:*

1. The audited financial information of the Target Subsidiaries was prepared in accordance with the Hong Kong Financial Reporting Standards.
2. The net asset value as at 30 September 2011 is based on the respective unaudited management accounts of the Target Subsidiaries as at 30 September 2011.

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## LETTER FROM QUAM CAPITAL

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As advised by the management of the Company, the Target Subsidiaries are the Group's key operating subsidiaries and main profit generating units. As illustrated in Table 2 above, four out of five of the Target Subsidiaries recorded an increase in profit after taxation and extraordinary items in 2010. The average increase in the profit after taxation and extraordinary items of the Target Subsidiaries in 2010 was approximately 93.9%, which was mainly attributable to the increase in vehicles sales volume and stable product prices and production costs. The property, plant and equipment of the Target Subsidiaries as at 31 December 2010 mainly included the manufacturing facilities with a total usable annual production capacity of 560,000 units per shift by the end of 2010. The Group has planned to expand the existing production capacity of the Target Subsidiaries over the next few years and targets to achieve a total annual production capacity of 2 million units per shift by the end of 2015. Owing to the low penetration rate of motor vehicles in the PRC, the management of the Company expects a continued growth in the demand for the Group's sedans in the PRC automobile market. It is also expected that the expansion of the production capacity will facilitate the Target Subsidiaries to better capture the sales growth in the PRC automobile market, and eventually improve the profitability of the Group.

Considering the above, the Company is confident that each of the Target Subsidiaries will continue to generate significant economic benefit to the Group. The management of the Company expects that the Connected Transactions will increase the Group's financial performance by sharing a higher interest in the financial results of the Target Subsidiaries.

***(c) Reasons for and benefits of the Connected Transactions***

As disclosed in the Letter from the Board, the Group has been focusing on manufacturing and sales of automobile and automobile parts and streamlining its corporate structure over the past few years, aiming at further improving its operating efficiency and enhancing the transparency of the Group. The Target Subsidiaries are the Group's five key operating subsidiaries, and each of them is an indirect 91%-owned subsidiary of the Company. Upon completion of the Agreements, each of these five key operating subsidiaries will be accounted for as an indirect 99%-owned subsidiary of the Group. It is noted that the acquisition of further 8% interest in the Target Subsidiaries was determined after arm's length negotiations under normal commercial arrangement between the Company and the respective Vendors, having taken into account the current business operation mode of the Group. As illustrated in Table 2 above, the profits after taxation and extraordinary items of the Target Subsidiaries generally was trend of increasing. It is expected that the financial performance of the Group will benefit by the 8% increase in the shareholding of the Target Subsidiaries due to the increase in the percentage of share of profit from the Target Subsidiaries. In addition, the operations of the Target Subsidiaries are in line with the principal business of the Group, thus, the Group would not take on extra operational risk as a result of the 8% increase in the shareholding of the Target Subsidiaries.

Given the aforesaid, the management of the Company is of the view that, upon completion of the Agreements, the Group will be benefited by having a larger share of profit from the Target Subsidiaries without taking on extra operational risk.

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## LETTER FROM QUAM CAPITAL

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*(d) Conclusion*

Notwithstanding that the Company will only be interested in 99% of the Target Subsidiaries upon completion of the Agreements, based on the foregoing, in particular, the Group will have a larger share of profit from the Target Subsidiaries, we are of the view that the Connected Transactions are conducted in the ordinary and usual course of the Group's business; and in the interests of both the Company and the Shareholders as a whole in that respect.

**2. The consideration of the Connected Transactions**

*(a) The considerations of the Connected Transactions and their basis of determination*

The cash consideration of the acquisition of 8% interest in the registered capital of each of Zhejiang Jirun, Shanghai Maple Guorun, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely to the Group is RMB350,477,000, RMB116,590,900, RMB162,805,100, RMB52,581,400 and RMB135,009,700 (rounded to the nearest hundred and equivalent to approximately HK\$427,411,000, HK\$142,184,000, HK\$198,542,800, HK\$64,123,700 and HK\$164,646,000) respectively (the "**Considerations**"). As disclosed in the Letter from the Board, the Considerations have been arrived at after arm's length negotiations between the relevant parties and on normal commercial terms with reference to the respective unaudited net asset value of the Target Subsidiaries as at 30 September 2011. Each of the Considerations represents a price to net asset value ratio ("**P/NAV Ratio**") of about 1.0 times the unaudited net asset value of the 8% interest in the registered capital of the relevant Target Subsidiaries as at 30 September 2011. The Group intends to finance the Considerations, which is payable in cash within two months after completion of the Agreements, by its internal resources.

*(b) Comparable analysis*

*(i) Comparison with other Hong Kong listed companies*

In order to assess the fairness and reasonableness of the Considerations, we have identified and made references to, so far as we are aware, the P/NAV Ratio and price to earnings ratio ("**P/E Ratio**") of those companies listed on the Stock Exchange as at the Latest Practicable Date which are principally engaged in the manufacturing and sale of automobile and automobile parts (the "**Comparable Companies**"), which is in line with the principal businesses of the Target Subsidiaries. Details of the comparison with the Comparable Companies are set out in Table 3 below. It should, however, be noted that given their latest published net asset values, the Comparable Companies, in terms of size, may not be directly comparable to the Target Subsidiaries, and hence the result of our comparison below should not be used in isolation as a determining factor in deciding whether or not the Considerations are fair and reasonable. Your attention is also drawn to subsection (b) (ii) below for details of the comparison with other similar transactions of acquisition of manufacture and sale of automobile and automobile parts businesses undertaken by companies listed on the Stock Exchange which are also engaged in the manufacturing and trading of automobile business.

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**Table 3**

Comparable Companies (Stock code)	Principal activities	Current market capitalisation <i>(Note 1)</i> <i>(HK\$ million)</i>	P/NAV Ratio <i>(Note 2)</i> <i>(times)</i>	P/E Ratio <i>(Note 3)</i> <i>(times)</i>
Brilliance China Automotive Holdings Limited (Stock code: 1114)	Manufacture and sale of minibuses and automotive components and sedans in the PRC	42,448	5.28	27.26
Dongfeng Motor Group Company Limited (Stock code: 489)	Manufacture and sale of commercial vehicles, passenger vehicles, engines and auto parts, manufacture of vehicle manufacturing equipment, also import/export business, finance business, insurance agency business and used car business	35,982	1.94	8.08
Great Wall Motor Company Limited (Stock code: 2333)	Manufacture and sale of automobiles and automotive parts and components	11,468	2.16	9.20
Guangzhou Automobile Group Co., Ltd. (Stock code: 2238)	Manufacture and sale of passenger vehicles, commercial vehicles, engines and auto parts, and provide automobile-related services	15,914	1.30	6.39
Qingling Motors Company Limited (Stock code: 1122)	Production and sale of Isuzu light, medium and heavy-duty trucks, pick-up trucks, multi-purpose vehicles and diesel and petrol engines	2,601	0.58	14.12
Sinotruk (Hong Kong) Limited (Stock code: 3808)	Research, development and manufacturing of heavy duty trucks and related key parts and components, including engines, cabins, axles, steel frames and gearboxes	11,789	0.47	6.51



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## LETTER FROM QUAM CAPITAL

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Average		1.96	11.93
Maximum		5.28	27.26
Minimum		0.47	6.39
<b>The Company</b>	<b>13,871</b>	<b>1.13</b>	<b>8.17</b>
Zhejiang Jirun		1.00	6.57
Shanghai Maple Guorun		1.00	5.52
Zhejiang Kingkong		1.00	4.62
Zhejiang Ruhoo		1.00	11.40
Hunan Geely		1.00	2.93

*Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)*

*Notes:*

1. The market capitalisation of each of the Company and the Comparable Companies has been extracted from the website of the Stock Exchange, which is calculated by multiplying the total outstanding number of issued shares listed on the Stock Exchange with the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date.
2. The P/NAV Ratio of each of the Company and the Comparable Companies has been extracted from the website of the Stock Exchange, which is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective net asset value per share based on the respective latest published interim reports.
3. The P/E Ratio of each of the Company and the Comparable Companies has been extracted from the website of the Stock Exchange, which is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective earning per share based on the respective latest published annual reports.

As shown in Table 3 above, each of the Considerations represents a P/NAV Ratio of approximately 1.0 time based on the unaudited net asset value of the 8% interest in the registered capital of the Target Subsidiaries as at 30 September 2011. It is noted that each of the P/NAV Ratio of the Target Subsidiaries as implied under the corresponding Considerations is (i) within the P/NAV Ratios of the Comparables Companies ranging between approximately 0.47 times and 5.28 times; and (ii) lower than the P/NAV Ratio of the Company and the average of the P/NAV Ratios of the Comparable Companies. We also noted that the P/E Ratios of the Target Subsidiaries as implied under the corresponding Considerations are either within or below the range of the P/E Ratios of the Comparables Companies from approximately 6.39 times to 27.26 times.

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(ii) *Comparison with other similar transactions*

Based on the information available on the website of the Stock Exchange, we have further identified and made references to, as far as we are aware, six similar transactions involving acquisition of manufacture and sale of automobile related businesses undertaken by companies listed on the Stock Exchange which are also engaged in the manufacturing and sale of automobile business for the three years prior to 25 November 2011, being the date of the Agreements (the “**Comparable Transaction(s)**”). Each of the Comparable Transactions is of similar nature as compared with the Connected Transactions and the respective subject assets or target companies are in relation to the manufacture and/or sale of automobile and automobile parts. We have reviewed and compared the respective implied P/NAV Ratios represented by the Considerations with the respective ratios of the Comparable Transactions for comparison purposes, details of which are set out in Table 4 below:

**Table 4**

Date of announcement	Purchaser (Stock code)	Principal activities of the target group (including subsidiaries/associates)	Interest acquired  (%)	Implied P/NAV Ratio  (Note 1) (times)
26 May 2011	Great Wall Motor Company Limited (Stock code: 2333)	Manufacture of automotive parts and components	47.029	1.00
15 April 2011	Brilliance China Automotive Holdings Limited (Stock Code: 1114)	Manufacture, assembly and sale of minibuses and automotive components in the PRC	9.9	(Note 2)
30 December 2010	Guangzhou Automobile Group Co., Ltd. (Stock Code: 2238)	Manufacturing and sale of motorcycles and related auto parts and provision of after-sale services	50	0.51
13 January 2010	Sinotruk (Hong Kong) Limited (Stock Code: 3808)	Production of automotive spare parts and recycled engine products as well as sale of self-manufactured products	49	1.03

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25 November 2009	Sinotruk (Hong Kong) Limited (Stock Code: 3808)	Manufacture and sale of commercial vehicles mainly for customers in the coal industry	100	3.04
27 July 2009	Great Wall Motor Company Limited (Stock code: 2333)	Manufacture and sale of automotive upholstery and parts and components, and the provision of technical consultation and services	49	0.30
27 May 2009	Dongfeng Motor Group Company Limited (Stock code: 489)	Manufacture of own-branded passenger vehicles	100	1.01
				<b>Average</b>
				<b>1.15</b>
				<b>Maximum</b>
				<b>3.04</b>
				<b>Minimum</b>
				<b>0.30</b>

*Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)*

*Notes:*

1. Based on the respective consideration of the Comparable Transactions divided by the net asset value (subject to the percentage of interest acquired) of the respective target companies or assets as disclosed in the respective announcements in relation to the Comparable Transactions.
2. The target company of the Comparable Transaction recorded net liabilities as at 31 December 2010 and therefore, the P/NAV Ratio is not applicable.

Based on our research illustrated in Table 4 above, it is noted that the implied P/NAV Ratios of the Connected Transactions of about 1.0 time are within the range of the P/NAV Ratios and lower than the average P/NAV Ratio of the Comparable Transactions. We further noted that the considerations of three out of six Comparable Transactions were determined with reference to the net asset value of the respective target companies or assets, and recorded implied P/NAV Ratios of about 1.0 time, which is approximate to the implied P/NAV Ratios of the Connected Transactions. It is noted that the basis of determination of the Considerations with reference to the net asset value of the Target Subsidiaries has been widely adopted in the Comparable Transactions.

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*(iii) Conclusion*

Given that (i) each of the Considerations is equivalent to the net asset value of the 8% interest in the registered capital of the relevant Target Subsidiaries as at 30 September 2011; (ii) each of the P/NAV Ratio of the Target Subsidiaries as implied under the corresponding Considerations is within the range of the P/NAV Ratios of the Comparables Companies and the Comparable Transactions and thus comparable to normal market practice; and (iii) the basis of determination of the Considerations with reference to the net asset value of the Target Subsidiaries has been widely adopted in the Comparable Transactions, we are of the opinion that the Considerations (including the basis of determination) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **3. Financial impacts of the Connected Transactions on the Group**

Upon completion of the Agreements, the Target Subsidiaries will become indirect 99%-owned subsidiaries of the Company, and hence 99% of their financial results will be attributable to the Shareholders. As discussed in section (1) above, the Directors expect that, upon completion of the Agreements, the revenue base and asset base attributable to the Shareholders will be enhanced.

According to the Interim Report, as at 30 June 2011, the Group's unaudited equity attributable to the equity holders of the Company was approximately RMB8.89 billion. We also noted from the Interim Report that the Group's gearing ratio (defined as the total borrowings to total shareholders' equity) as at 30 June 2011 was approximately 49%. Given that (i) the Considerations will be settled by internal resources; and (ii) the current capital structure of the Group and the Target Subsidiaries, the Directors expect that the consolidated net asset value and gearing ratios of the Group would not have any material adverse change after completion of the Agreements.

As disclosed in the Interim Report, the Group had unaudited bank balances and cash (including pledged bank deposits) and net current assets of approximately RMB4.75 billion and RMB2.53 billion respectively as at 30 June 2011. In addition, net cash inflow from operating activities amounted to approximately RMB1.33 billion for the six months ended 30 June 2011. Having considered (i) the historical track record and cash flow position of the Group; (ii) the present internal financial resources and banking facilities available to the Group; and (iii) the potential increase in profit from the larger share of profit of the Target Subsidiaries upon completion of the Agreements, the Directors expect that the Connected Transactions will not have a material adverse impact on the working capital position of the Group.

In view of the foregoing, we are of the opinion that the Connected Transactions will not have any material adverse impact on the Group's financial position upon completion of the Connected Transactions in this regard.

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## LETTER FROM QUAM CAPITAL

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### RECOMMENDATION

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

- the existing business mode of the Group and the reasons for and benefits of the Connected Transactions as discussed in section (1) above;
- that the Considerations (including the basis of determination) are fair and reasonable as discussed in section (2) above; and
- that there will be no material adverse impact on the financial position of the Group as a result of the Connected Transactions,

we consider that the entering into of the Connected Transactions by the Group is conducted within its ordinary and usual course of business based on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

## 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' interests and short positions

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

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

Name of Director	Nature of interests	Number or attributable number of Shares held or short positions		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Shares</b>				
Mr. Li Shu Fu ( <i>Note 1</i> )	Interest of controlled corporations	3,751,159,000	-	50.30
Mr. Yang Jian	Personal	8,000,000	-	0.11
Mr. Gui Sheng Yue	Personal	8,000,000	-	0.11
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	-	0.06
Mr. Yin Da Qing, Richard	Personal	6,600,000	-	0.09
Mr. Liu Jin Liang	Personal	6,000,000	-	0.08
Dr. Zhao Fuquan	Personal	6,000,000	-	0.08
Mr. Yeung Sau Hung, Alex	Personal	500,000	-	0.01

Name of Director	Nature of interests	Number or attributable number of Shares held or short positions		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Share options</b>				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	-	0.16
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	-	0.15
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	-	0.15
Mr. Yin Da Qing, Richard	Personal	11,000,000 (Note 2)	-	0.15
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	-	0.12
Dr. Zhao Fuquan	Personal	22,000,000 (Note 2)	-	0.30
Ms. Wei Mei	Personal	3,000,000 (Note 2)	-	0.04
Mr. Song Lin	Personal	1,000,000 (Note 2)	-	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	-	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	-	0.01

*Notes:*

1. Proper Glory Holding Inc. ("Proper Glory") and its associates in aggregate hold 3,751,159,000 shares, representing approximately a 50.30% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Approximate percentage or attributable 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	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Lanzhou Geely Automobile Industries Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 13)	–	(Note 13)

*Notes:*

1. Proper Glory Holding Inc. (“Proper Glory”) and its associates in aggregate hold 3,751,159,000 shares, representing approximately a 50.30% of the issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
2. Zhejiang Geely Holding Group Company Limited (“Geely Holding”) is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.



3. Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) (formerly known as “Zhejiang Geely Merrie Automobile Company Limited”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
4. Shanghai Maple Automobile Company Limited (“Shanghai Maple Automobile”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
5. Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
6. Zhejiang Jirun Automobile Company Limited (“Zhejiang Jirun”) (formerly known as “Zhejiang Geely Automobile Company Limited”) is incorporated in the PRC and is 9% directly owned by Zhejiang Geely. Zhejiang Geely is incorporated in the PRC and is 100%-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 9% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
8. Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
9. Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
10. Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
11. Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
12. Lanzhou Geely Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
13. Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company and their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

**(b) Interests and short positions in shares and underlying shares of others persons**

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executive of the Company, the persons, other than Directors or the chief executive of the Company, who had 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

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

Name of Shareholder	Nature of interests	Number or attributable number of Shares held or short positions		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	-	33.02
Geely Holding (Note 1)	Beneficial owner	3,751,072,000	-	50.30
Zhejiang Geely (Note 2)	Interest in controlled corporation	776,408,000	-	10.41
Geely Group Ltd. (Note 1)	Beneficial owner	87,000	-	0.001
	Interest in controlled corporation	2,462,400,000	-	33.02
The Goldman Sachs Group, Inc.	Interest in controlled corporation	1,297,974,003	-	17.41
Gechile Investment Holding (Delaware) LLC	Beneficial owner	1,144,958,578	-	15.35

*Notes:*

1. Proper Glory Holding Inc. (“Proper Glory”) is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited (“Geely Holding”) and as to 32% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.
2. Zhejiang Geely (formerly known as “Zhejiang Geely Merrie Automobile Company Limited”) is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any other person (other than Directors and the chief executive 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. COMPETING INTEREST

Zhejiang Geely Holding Group Company Limited (“Geely Holding”), which is ultimately owned by Mr. Li Shu Fu (“Mr. Li”), the Company’s Chairman, and his associates, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Zhejiang Geely Holding Group Company Limited will constitute competing businesses (the “Competing Businesses”) to those currently engaged by the Group. Mr. Li has undertaken to the Company (the “Undertaking”) that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

In August 2010, Geely Holding has completed the acquisition of Volvo Car Corporation, which manufactures 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, but 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.

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

#### **4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2010, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

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

#### **5. DIRECTORS' SERVICE CONTRACTS**

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

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company have been made up.

#### **7. EXPERT'S QUALIFICATION AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2010, the date to which the latest audited financial statements of the Group was made up;

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

## **8. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 29 December 2011:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 21 of this circular;
- (b) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 35 of this circular;
- (c) the written consent from Quam Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (d) the Zhejiang Jirun Agreement, the Shanghai Maple Guorun Agreement, the Zhejiang Kingkong Agreement, the Zhejiang Ruhoo Agreement and the Hunan Geely Agreement.

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## NOTICE OF EGM

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 175)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the shareholders (the “Shareholders”) of Geely Automobile Holdings Limited (the “Company”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 29 December 2011 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional equity transfer agreement dated 25 November 2011 (the “**Zhejiang Jirun Agreement**”) entered into between Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) and Zhejiang Kingkong Automobile Parts and Components R&D Company Limited (“**Zhejiang Kingkong R&D**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, Zhejiang Geely will transfer an 8% interest in the registered capital of Zhejiang Jirun Automobile Company Limited to Zhejiang Kingkong R&D, be and is hereby approved, ratified and confirmed;
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Zhejiang Jirun Agreement.”

2. “**THAT**

- (a) the conditional equity transfer agreement dated 25 November 2011 (the “**Shanghai Maple Guorun Agreement**”) entered into between Shanghai Maple Automobile Company Limited (“**Shanghai Maple**”) and Zhejiang Kingkong R&D, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, pursuant to which, Shanghai Maple will transfer an 8% interest in the registered capital of Shanghai Maple Guorun Automobile Company Limited to Zhejiang Kingkong R&D, be and is hereby approved, ratified and confirmed;

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## NOTICE OF EGM

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

3. **“THAT**

- (a) the conditional equity transfer agreement dated 25 November 2011 (the “**Zhejiang Kingkong Agreement**”) entered into between Zhejiang Haoqing Automobile Manufacturing Company Limited (“**Zhejiang Haoqing**”) and Zhejiang Fulin Guorun Automobile Parts and Components Company Limited (“**Zhejiang Fulin Guorun**”), a copy of which is tabled at the meeting and marked “**C**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, Zhejiang Haoqing will transfer an 8% interest in the registered capital of Zhejiang Kingkong Automobile Company Limited to Zhejiang Fulin Guorun, be and is hereby approved, ratified and confirmed;
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Zhejiang Kingkong Agreement.”

4. **“THAT**

- (a) the conditional equity transfer agreement dated 25 November 2011 (the “**Zhejiang Ruhoo Agreement**”) entered into between Zhejiang Haoqing and Zhejiang Fulin Guorun, 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, Zhejiang Haoqing will transfer an 8% interest in the registered capital of Zhejiang Ruhoo Automobile Company Limited to Zhejiang Fulin Guorun, be and is hereby approved, ratified and confirmed;
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Zhejiang Ruhoo Agreement.”

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## NOTICE OF EGM

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5. **“THAT**

- (a) the conditional equity transfer agreement dated 25 November 2011 (the **“Hunan Geely Agreement”**) entered into between Zhejiang Haoqing and Zhejiang Fulin Guorun, a copy of which is tabled at the meeting and marked **“E”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, Zhejiang Haoqing will transfer an 8% interest in the registered capital of Hunan Geely Automobile Components Company Limited to Zhejiang Fulin Guorun, be and is hereby approved, ratified and confirmed;
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Hunan Geely Agreement.”

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

Hong Kong, 12 December 2011

*Head office and principal place of business in Hong Kong:*

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be delivered to the office of the branch share registrars of the Company, Union Registrars Limited, at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.