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## **Geely Automobile Holdings Limited**

**(stock code:175)**

(formerly known as Guorun Holdings Limited)

*(Incorporated in Cayman Islands with limited liability)*

### **CONNECTED TRANSACTION DISPOSAL OF ENTIRE INTERESTS IN DEEP TREASURE**

The Directors announce that, pursuant to the Subscription Agreement on 22 April 2002, the Company exercise the put option on 30 March 2004 by entering into a sale and purchase agreement (“Agreement”) for disposal of entire issued share capital of Deep Treasure owned by the Company, for a consideration of HK\$5.5 million, to Fook Cheung. Completion of the Agreement took place simultaneously upon the signing of the Agreement.

The consideration for disposal has been negotiated on an arm’s length basis and on normal commercial terms with reference to the financial performance of the Group’s information technology business segment under the operation of Deep Treasure Group as stated in the 2002 annual report and 2003 interim report of the Company. The Board (including the independent non-executive Directors) consider that given the continuing losses and the unaudited combined net liability of approximately HK\$3.1 million of Deep Treasure Group as at 31 December 2003, the consideration of HK\$5.5 million for disposal of entire issued share capital of Deep Treasure is fair and reasonable so far as the Company and its Shareholders as a whole are concerned and is in the interests of the Company.

Part of the sale proceeds in the sum of HK\$5 million generated from the disposal will be used to set off in full against the remaining balance of HK\$5 million of a shareholder’s loan (non-interest bearing and repayable on demand) with a principal sum of HK\$9.6 million owing by the Group to the South China Group. The remaining sale proceeds in the sum of HK\$0.5 million will be utilised as additional working capital of the Company.

Fook Cheung which is a substantial shareholder of the SI-IT Business and is a connected person of the Company under the Listing Rules. Accordingly, the transaction constitutes a connected transaction for the Company under Rule 14.25(1) of the Listing Rules. However, the transaction falls within the de minimis provision of the Listing Rules, no Shareholder’s approval is required for such connected transaction. Details of the transaction will be included in the Company’s next published annual report and accounts according to Rule 14.25(1) of the Listing Rules.

#### **Background**

Pursuant to the announcement dated 2 May 2002 and the circular dated 7 June 2002, the Group entered into the Subscription Agreement between the company, SCI and Proper Glory on 22 April 2002 in respect of the Financial Restructuring.

In accordance with the Subscription Agreement, SCI granted a put option to the Company which is exercisable at an exercise price of HK\$5.5 million within 549 days (extended to 733 days agreed between the Company and SCI on 18 December 2003) from the Completion Date, 27 June 2002. A put option is the right of the company to require SCI to acquire the Option Interest at a consideration of HK\$ 5.5 million.

### **Parties to the Agreement dated 30 March 2004**

**Purchaser:** Fook Cheung, a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of SCI, the shares of which are currently listed on the Stock Exchange, and is also a substantial shareholder of the SI-IT Business.

**Vendor:** The Company

Immediately prior to the execution of the Agreement, Deep Treasure was beneficially owned as to 51% by the Company and 49% by Fook Cheung respectively.

### **Assets sold under the Agreement**

Pursuant to the Agreement, the Company agreed to dispose of and Fook Cheung has agreed to purchase the entire issued share capital of Deep Treasure owned by the Company. The assets held by Deep Treasure are the issued share capital of the SI-IT Business. The SI-IT Business are currently engaged in the business of the system integration and software development.

Immediately upon completion of the Agreement, the Company would cease to hold any equity interests in the SI-IT Business.

### **Consideration**

The consideration for the disposal is HK\$5.5 million. Such consideration was agreed after arm's length negotiation between the Company and Fook Cheung on normal commercial terms with reference to the financial performance of the Group's SI-IT-related business segment under the operation of Deep Treasure Group as stated in the 2002 annual report and 2003 interim report of the Company.

The gain to the Company amounted to approximately HK\$5.5 million as a result of the transaction.

Part of the sale proceeds in the sum of HK\$5 million generated from the disposal will be used to set off in full against the remaining balance of HK\$5 million of a shareholder's loan (non-interest bearing and repayable on demand) with a principal sum of HK\$9.6 million owing by the Group to the South China Group. The remaining sale proceeds in the sum of HK\$0.5 million will be utilised as additional working capital of the Company.

### **Completion**

Completion of the Agreement has taken place immediately upon execution of the Agreement.

### **Reasons for the Agreement**

The Group is principally engaged in SI-IT-related business and is also engaged in property related business in the PRC. As stated in the 2002 annual report and 2003 interim report of the Company, turnover from the Group's SI-IT-related business segment under the operation of Deep Treasure Group for each of the year ended 31 December, 2002 and the six months ended 30 June 2003 amounted to approximately HK\$34.6 million and approximately HK\$15.6 million respectively. However, the Group's SI-IT-related business did not contribute profitably to the Group and incurred operating losses of approximately HK\$0.7 million and approximately HK\$1.3 million respectively for each of the year ended 31 December, 2002 and the six months ended 30 June, 2003.

According to the management accounts of the Deep Treasure Group, the unaudited combined loss and net liability of Deep Treasure Group was approximately HK\$1.3 million and approximately HK\$3.1 million as at 31 December 2003 respectively whereas the audited combined loss and net liability of Deep Treasure Group was approximately HK\$0.7 million and approximately HK\$1.9 million as at 31 December 2002 respectively.

In view of the continuing losses of the operations of the SI-IT Business, the disposal allows the Company to realise its 51% interest in each of the issued share capital of the SI-IT Business at a price substantially over the combined net liability of approximately HK\$3.1 million of Deep Treasure Group.

However, the Directors are optimistic about the future of automobile businesses in the PRC. Reference is made to the Company's circular dated 9 May, 2003 that the Group had entered into a joint venture agreement to establish Zhejiang Geely Guorun Automobile Company Limited, a sino-foreign equity joint venture, which principally engaged in manufacturing of automobile in the PRC, including research, production, marketing and sales of sedans and related automobile component in the PRC. Relevant PRC registration and approval procedures of establishment were completed in 21 May 2003.

The Directors believe that establishment of joint venture provides an excellent opportunity for the Group to expand its principal business in PRC, one of the fastest growing financial centers in Asia. In addition, the Group will continue to seek opportunity to cooperate and co-invest with well-established institutions, which possesses certain SI-IT spots and SI-IT network in the PRC.

Save for disposal of the entire issued share capital of Deep Treasure, the Directors have no present intention to dispose of the Group's other information technology-related business.

The consideration for disposal has been negotiated on an arm's length basis and on normal commercial terms with reference to the financial performance of the Group's SI-IT-related business segment under the operation of Deep Treasure Group as stated in the 2002 annual report and 2003 interim report of the Company. The Board (including the independent non-executive Directors) consider that given the continuing losses and the unaudited combined net liability of approximately HK\$3.1 million of Deep Treasure Group as at 31 December, 2003, the consideration of HK\$5.5 million for the disposal of the entire issued share capital of Deep Treasure is fair and reasonable so far as the Company and its Shareholders as a whole are concerned and is in the interests of the Company.

Upon completion of the Agreement, the Company would cease to hold any equity interests in Deep Treasure Group and the Company would no longer have any board representations in Deep Treasure Group.

#### **Connected transaction**

Fook Cheung which is a substantial shareholder of the SI-IT Business and is a connected person of the Company under the Listing Rules. Accordingly, the transaction constitutes a connected transaction for the Company under Rule 14.25(1) of the Listing Rules. However, the transaction falls within the de minimis provision of the Listing Rules, no Shareholder's approval is required for such connected transaction.

#### **General**

The above transaction will be disclosed in the Company's next published annual report and accounts as post balance sheet event and discontinued business in segment accounting.

Details of the above transaction will be included in the Company's next published annual report and accounts according to Rule 14.25(1) of the Listing Rules.

#### **Terms used in this announcement**

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

“Board”	the executive directors of the Company
“Company”	Geely Automobile Holdings Limited (formerly known as Guorun Holdings Limited), a company incorporated in Cayman Islands, the shares of which are currently listed on the Stock Exchange
“Deep Treasure”	Deep Treasure Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 51% by the Company and 49% by Fook Cheung. It is an intermediate investment holding company of the SI-IT Business

“Deep Treasure Group”	Deep Treasure and the SI-IT Business
“Director(s)”	the director(s) of the Company
“Fook Cheung”	Fook Cheung Developments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of South China Industries Limited and also a substantial shareholder of the SI-IT Business prior to completion of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administration Region of the PRC
“HK\$”	Hong Kong dollars
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreements”	the management agreement dated 22 April, 2002 and entered into between South China Industries Limited (“SCI”); the Company and the SI-IT Business whereby SCI was appointed as a manager to provide management services to the SI-IT Business
“PRC”	People’s Republic of China which, excludes Hong Kong and the Macau Special Administration Regions and Taiwan
“Proper Glory”	Proper Glory Holding Inc., a company incorporated in the British Virgin Islands with limited liability
“SCI”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Shareholder(s)”	holder(s) of the Shares
“SI-IT Business”	the system integration and software development businesses carried on by the Group through two joint venture enterprises, namely, Nanjing South China Skytech Information Technology Co., Ltd. (of which Deep Treasure has 66.7 per cent. Interest) and Chongqing South China Zenith Information Technology Co., Ltd. (of which Deep Treasure has 60 per cent. Interest) established in Nanjing and Chongqing respectively, the PRC, through Deep Treasure
“South China Group”	South China Industries Limited and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Geely Automobile Holdings Limited**  
**HE Xuechu**  
*Chairman*

Hong Kong, 31 March 2004

Please also refer to the published version of this announcement in The Standard.