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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE REGISTERED CAPITAL OF
THE CHUNXIAO TARGET**

Financial adviser to the Company



DISCLOSEABLE AND CONNECTED TRANSACTION

THE ACQUISITION AGREEMENT

On 6 February 2015 (after trading hours), Jirun Automobile (being the purchaser), a 99% owned subsidiary of the Company, and Zhejiang Geely (being the vendor) entered into the Acquisition Agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the Purchase Shares, being the entire registered capital of the Chunxiao Target, for RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562), which will be payable in cash within 60 calendar days from completion of the Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

Zhejiang Geely is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Zhejiang Geely is beneficially wholly owned by Mr. Li and his associates. As such, Zhejiang Geely is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 42.81% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5%, the Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Also, as one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Mr. Li is considered to have a material interest in the Acquisition by virtue of his interests in Zhejiang Geely. Mr. Yang Jian and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Acquisition by virtue of their directorships in Zhejiang Geely. As a result, Mr. Li, Mr. Yang Jian and Mr. An Cong Hui have abstained from voting on the Board resolution for approving the Acquisition Agreement.

EGM

The EGM will be convened to consider and approve the Acquisition Agreement. Mr. Li is considered to have a material interest in the Acquisition by virtue of his interests in Zhejiang Geely. Mr. Yang Jian and Mr. An Cong Hui are considered to be interested in the Acquisition by virtue of their directorships in Zhejiang Geely. As a result, Mr. Li, Mr. Yang Jian, Mr. An Cong Hui and their respective associates will abstain from voting on the resolution(s) to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition Agreement; (iii) the advice of an independent financial adviser regarding the terms of the Acquisition Agreement; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 5 March 2015.

Completion of the Acquisition is subject to the satisfaction of the conditions precedent under the Acquisition Agreement, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DISCLOSEABLE AND CONNECTED TRANSACTION

THE ACQUISITION AGREEMENT

On 6 February 2015 (after trading hours), Jirun Automobile (being the purchaser), a 99% owned subsidiary of the Company, and Zhejiang Geely (being the vendor) entered into the Acquisition Agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and Zhejiang Geely has conditionally agreed to sell, the Purchase Shares, being the entire registered capital of the Chunxiao Target, for RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562), which will be payable in cash within 60 calendar days from completion of the Acquisition. The principal terms of the Acquisition Agreement are set out below:

Date

6 February 2015 (after trading hours)

Parties

Vendor: Zhejiang Geely

Purchaser: Jirun Automobile

Zhejiang Geely is principally engaged in the manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts. Jirun Automobile is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC.

Subject matter

Pursuant to the Acquisition Agreement, Jirun Automobile has conditionally agreed to acquire and Zhejiang Geely has conditionally agreed to sell, the Purchase Shares, being the entire registered capital of the Chunxiao Target. Details of the Chunxiao Target are set out in the section headed "Information on the Chunxiao Target" below.

Upon completion of the Acquisition, the Chunxiao Target will become a wholly owned subsidiary of Jirun Automobile, and the financial statements of the Chunxiao Target will be consolidated into the financial statements of the Group.

Consideration

The Consideration is RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562), which will be payable in cash within 60 calendar days from completion of the Acquisition. The Consideration was determined after arm's length negotiations between Jirun Automobile and Zhejiang Geely with reference to the net asset value of the Chunxiao Target as at 31 January 2015 of approximately RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562).

Conditions precedent

Completion of the Acquisition will be subject to and conditional upon the fulfillment or waiver of the following conditions:

- (a) all documents relating to the Acquisition having been duly signed by each of the relevant authorized signing party to such relevant documents;
- (b) the Company having complied with the requirements of the Listing Rules relating to the Acquisition, including where necessary, the obtaining of Independent Shareholders' approval on the transactions contemplated under the Acquisition Agreement;
- (c) the completion of the Acquisition is not prohibited by applicable laws;
- (d) the receipt of all consents, waivers or approvals from any persons required for or in connection with the execution, delivery and performance of the Acquisition Agreement and the consummation of the transfer of the Purchase Shares from Zhejiang Geely to Jirun Automobile, if applicable; and
- (e) there being no material adverse change to factors potentially affecting the Acquisition.

In the event the conditions set out above are not fulfilled or waived on or before the Long Stop Date, unless the Company consents to an extension in writing, any party to the Acquisition Agreement will have the right to terminate the Acquisition Agreement by prior written notice to the other party. In the event of such termination, no party to the Acquisition Agreement may raise any claim against the other party or demand any other party to undertake any liability. All rights, obligations and liabilities under the Acquisition Agreement will become null and void upon such termination and of no further effect, save with respect to any antecedent breaches.

Completion of the Acquisition

Completion of the Acquisition will take place on the second Business Day after the date on which all the conditions to the Acquisition Agreement have been fulfilled or waived or such other later date as the parties may agree in writing. Within 30 Business Days upon completion of the Acquisition, Zhejiang Geely will procure the Chunxiao Target to complete the alteration registration with the SAIC for the purpose of the issuance of a new business license for the Chunxiao Target.

INFORMATION ON THE CHUNXIAO TARGET

The Chunxiao Target is a limited liability company incorporated in the PRC on 30 June 2014. It is principally engaged in the research and development, production, marketing and sales of automobiles and related automobile components. The principal asset of the Chunxiao Target is the Chunxiao Manufacturing Plant, which is located at the Beilun District, Ningbo City, Zhejiang Province, the PRC and will have the capability to manufacture new high-end sedan and sport utility vehicle (“SUV”) models. The Chunxiao Manufacturing Plant has a designed production capacity of approximately 100,000 units of vehicle per annum. The total area of the Chunxiao Target is approximately 1,000 mu (or approximately 666,700 square meters), including the plant area of approximately 375 mu (or approximately 250,000 square meters). The Chunxiao Manufacturing Plant includes four workshops on stamping, welding, painting and assembling. The Chunxiao Manufacturing Plant is currently undergoing standard operating procedures in preparation for the commercial launch of the new high-end sedan model. It is expected that the commercial launch of the new high-end sedan model will commence by end of the first quarter of 2015.

FINANCIAL INFORMATION ON THE CHUNXIAO TARGET

Set out below is the unaudited financial information of the Chunxiao Target prepared under the PRC GAAP from 30 June 2014 (its date of incorporation) to 31 December 2014:

	From 30 June 2014 to 31 December 2014
Unaudited revenue	Nil
Unaudited net loss before and after taxation	RMB11,442,063 (equivalent to approximately HK\$14,483,363)

The unaudited net asset value of the Chunxiao Target as at 31 January 2015 amounted to approximately RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding. The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after having taken into consideration the advice of the independent financial adviser) consider that Acquisition will provide an opportunity for the Group to enhance its production capabilities for the manufacture of new high-end sedan and SUV models as the Group’s existing manufacturing plants do not have the required production capabilities to manufacture these new high-end sedan and SUV models. Also, it is expected that after completion of

the Acquisition, the launch of new high-end sedan and SUV models will expand the Group's products offering and enhance the overall competitive strength of the Group's products in the market and become one of the key drivers for future profitability.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after having taken into consideration the advice of the independent financial adviser) consider that the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Zhejiang Geely is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Zhejiang Geely is beneficially wholly owned by Mr. Li and his associates. As such, Zhejiang Geely is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 42.81% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5%, the Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Also, as one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Mr. Li is considered to have a material interest in the Acquisition by virtue of his interests in Zhejiang Geely. Mr. Yang Jian and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Acquisition by virtue of their directorships in Zhejiang Geely. As a result, Mr. Li, Mr. Yang Jian and Mr. An Cong Hui have abstained from voting on the Board resolution for approving the Acquisition Agreement.

EGM

The EGM will be convened to consider and approve the Acquisition Agreement. Mr. Li is considered to have a material interest in the Acquisition by virtue of his interests in Zhejiang Geely. Mr. Yang Jian and Mr. An Cong Hui are considered to be interested in the Acquisition by virtue of their directorships in Zhejiang Geely. As a result, Mr. Li, Mr. Yang Jian, Mr. An Cong Hui and their respective associates will abstain from voting on the resolution(s) to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition Agreement; (iii) the advice of an independent financial adviser regarding the terms of the Acquisition Agreement; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 5 March 2015.

Completion of the Acquisition is subject to the satisfaction of the conditions precedent under the Acquisition Agreement, and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:–

“Acquisition”	the acquisition of the entire registered capital of the Chunxiao Target by Jirun Automobile from Zhejiang Geely pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between Jirun Automobile and Zhejiang Geely on 6 February 2015 in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Business Day”	a day (excluding Saturdays and Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“Board”	the board of Directors
“Chunxiao Manufacturing Plant”	the principal asset of the Chunxiao Target, which is a manufacturing plant situated at 188 Chunxiao Avenue, Beilun District, Ningbo City, Zhejiang Province, the PRC, with a designed production capacity of approximately 100,000 units of vehicle per annum, and primarily manufactures the new high-end sedan and SUV models
“Chunxiao Target”	浙江吉潤春曉汽車部件有限公司(Zhejiang Jirun Chunxiao Automobile Components Company Limited), a limited liability company incorporated in the Zhejiang Province, the PRC, and a wholly owned subsidiary of Zhejiang Geely as at the date of this announcement

“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (Stock code: 175)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being RMB1,137,840,545 (equivalent to approximately HK\$1,440,278,562)
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition Agreement
“GAAP”	generally accepted accounting principles
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the date of this announcement
“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 the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. An Cong Hui and their respective associates
“Jirun Automobile”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited), a limited liability company incorporated in the Zhejiang Province, the PRC and a 99% owned subsidiary of the Company as at the date of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	60 calendar days from the date of the Acquisition Agreement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 42.81% interest in the issued share capital of the Company as at the date of this announcement
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“Purchase Shares”	the entire registered capital of the Chunxiao Target as at the date of this announcement
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce and/or its municipal department
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely 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 as at the date of this announcement
“%”	per cent

Unless otherwise specified in this announcement, amounts denominated in RMB has been converted, for the purpose of illustration only, into HK\$ as follows:

$$RMB1 = HK\$1.2658$$

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

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

Hong Kong, 6 February 2015

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