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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE FORMATION OF JOINT VENTURE

This announcement is made by Geely Automobile Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company is pleased to announce that on 20 July 2017, the Company entered into the memorandum of understanding (the “**MOU**”) with Zhejiang Geely Holding Group Company Limited* (浙江吉利控股集團有限公司) (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”) and Volvo Car Corporation (“**VCC**”) in relation to the proposed formation of a joint venture company (the “**JV Company**”) between the Company, Geely Holding and VCC for the production and sale of vehicles under the Lynk & Co brand (the “**Proposed Joint Venture Formation**”).

PRINCIPAL TERMS OF THE MOU

1. Purpose of the JV Company

The scope of the JV Company is to engage in the production and sale of vehicles under the Lynk & Co brand, and the provision of after-sales services relating thereto, through the operational entities acquired or to be acquired by the JV Company.

2. Parties

- (i) The Company;
- (ii) Geely Holding; and

(iii) VCC

3. Shareholding

Subject to the entering into of the definitive agreements (the “**Definitive Agreements**”), the JV Company will be set up and the registered capital of the JV Company will be owned as to 50% by the Company, and as to 50% by Geely Holding and VCC in aggregate.

4. Business

The JV Company will be established as a holding company for all relevant companies and assets engaged in operating the Lynk & Co business on a global basis. Subject to the entering into of the Definitive Agreements, the JV Company will immediately after its formation acquire, amongst others, the following entities and assets through share or assets transfer:

- (i) 100% equity interests in Kai Yue Zhangjiakou Component Manufacturing Co., Ltd.* (凱悅汽車大部件製造(張家口)有限公司) (the “**ZJK Plant**”), a non-wholly owned subsidiary of Geely Holding as at the date of this announcement, which will (a) be responsible for the production of vehicle models named Lynk & Co 02 (the “**Lynk & Co 02 Model**”) and Lynk & Co 03 (the “**Lynk & Co 03 Model**”) under the Lynk & Co brand; (b) own the intellectual properties in respect of the technologies for use in the production of the Lynk & Co 02 Model and the Lynk & Co 03 Model; and (c) bear the royalties for use of the CMA (as defined below) in the production of the Lynk & Co 02 Model and the Lynk & Co 03 Model;
- (ii) 100% equity interests in Lynk & Co Auto Sales Company Limited* (領克汽車銷售有限公司), a non-wholly owned subsidiary of the Company as at the date of this announcement, which will (a) be in charge of the establishment of the Lynk & Co’s dealer network, sales and marketing and after-sales services in the People’s Republic of China (the “**PRC**”); (b) through a subsidiary to be established by it, own the intellectual properties in respect of the technologies for use in the production of vehicle model named Lynk & Co 01 (the “**Lynk & Co 01 Model**”) under the Lynk & Co brand, bear the royalties for use of the CMA in the production of the Lynk & Co 01 Model, and purchase complete build-up units of the Lynk & Co 01 Model from Zhejiang Kingkong Automobile Company Limited* (浙江金剛汽車有限公司) (“**Kingkong Automobile**”), the 99% equity interest of which will be transferred from the Group to Geely Holding Group, subject to compliance of the Listing Rules; and (c) through another subsidiary to be established by it, be responsible for the sale and provision of after-sales services of the Lynk & Co branded vehicles outside the PRC; and

(iii) the intellectual properties in respect of the technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model developed by Ningbo Geely Auto Research and Development Co., Ltd.* (寧波吉利汽車研究開發有限公司) (“**Ningbo Research**”) and China-Euro Vehicle Technology AB (“**CEVT**”), both being non-wholly owned subsidiaries of Geely Holding.

5. Capital and valuation

Valuation of any assets or business contributed to the JV Company shall have an arms’ length thirty party valuation, which the parties shall adhere to.

Any future potential capital contributions shall follow the agreed final ownership structure and established governance structure. All parties shall have a right but no obligation to provide additional capital contribution.

6. The board of the JV Company

The board of directors of the JV Company (the “**JV Board**”) shall consist of four directors. The Company shall appoint two directors (one of whom shall act as chairman of the JV Board); Geely Holding shall appoint one director; and VCC shall appoint one director. The JV Board shall be the highest authority of the JV Company.

The Company will be responsible for the appointment of the management team responsible for the daily operation of the JV Company.

7. Termination

The MOU may be terminated upon the serving of a termination notice in writing by either party.

The MOU is intended solely as a basis for further discussion, is not intended to be, and does not constitute a legally binding obligation on any party, except for clauses regarding confidentiality, cost, governing law, disputes and termination.

INFORMATION ON GEELY HOLDING

Geely Holding is a private limited liability company incorporated in Zhejiang Province, the PRC, and is beneficially wholly owned by Mr. Li Shu Fu, an executive Director and a substantial shareholder of the Company, and his associate as at the date of this announcement. Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

INFORMATION ON VCC

VCC is a Swedish automobile manufacturer established in 1927 and headquartered in Gothenburg, Sweden, and a non-wholly owned subsidiary of Geely Holding as at the date of this announcement. VCC produces a premium range of cars including sedans, cross country, estates, and luxury sport utility vehicles (“SUV”) with manufacturing facilities in Sweden, Belgium and the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE MOU

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

Subject to the materialisation of the Definitive Agreements, the JV Company will be principally engaged in the production and sale of vehicles under the Lynk & Co brand, and the provision of after-sales services relating thereto, through the operational entities acquired or to be acquired by the JV Company.

Subject to the entering into of the Definitive Agreements, the JV Company will immediately after its formation acquire, amongst others, 100% equity interests in ZJK Plant for the production of vehicles under the Lynk & Co brand (other than the Lynk & Co 01 Model). The construction work of ZJK Plant has recently been completed and it is expected that trial production will commence in the second half of 2017 before commercial production can take place in early 2018. The manufacturing of the Lynk & Co 01 Model, which is expected to be launched in the fourth quarter of 2017, will be handled by Kingkong Automobile which will act as the original equipment manufacturer of the Lynk & Co 01 Model upon completion of the transfer of the 99% equity interests in Kingkong Automobile from the Group to Geely Holding Group, subject to compliance of the Listing Rules; all other models included in the current plans of Lynk & Co business will be manufactured in the ZJK Plant.

The Group’s cooperation with VCC has been mainly through CEVT, a research and development centre based in Lindholmen Science Park in Gothenburg, Sweden and a non-wholly owned subsidiary of Geely Holding, which VCC has provided valuable assistance to its establishment and contributed tremendously to the development by it of a new compact modular architecture for use in the development of compact models equipped with the relevant specifically designed powertrain system (the “CMA”). The CMA will deliver not only world-class product technologies and attributes, but also cost savings in terms of development, testing and sourcing, which lead to the realisation of significant economies of scale.

In addition to the development of the CMA, CEVT, together with Ningbo Research, a research and development centre and a non-wholly owned subsidiary of Geely Holding, are in the process of developing technologies for use in the production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model. The production of the Lynk & Co 01 Model, the Lynk & Co 02 Model and the Lynk & Co 03 Model will require the utilisation of the CMA as well as the technologies developed by CEVT and Ningbo Research as described above.

The Board considers that the entering into of the MOU is in the interests of the Company and its shareholders as a whole, as the transaction(s) contemplated under the MOU, if materialised, will allow the Company, through its 50% equity interests in the JV Company, to participate in the operation of the Lynk & Co business, which will be marketed as a premium car brand globally, and are expected to broaden the income stream of the Group and further strengthen the Group's market position in the automobile market.

GENERAL

The MOU may or may not lead to the entering into of the Definitive Agreements and the transactions contemplated thereunder may or may not be consummated. The Proposed Joint Venture Formation, if materialized, may constitute a notifiable and connected transaction for the Company under the Listing Rules. Further announcement will be made in respect thereof as and when required by the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 20 July 2017

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

** for identification purpose only*