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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)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITIONS;**
- (2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF
THE ACQUISITIONS;**
- (3) FURTHER REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS
UNDER THE SERVICES AGREEMENT; AND**
- (4) EXPECTED DATE OF DESPATCH OF CIRCULAR IN RELATION TO
THE LYNK & CO FINANCING ARRANGEMENTS**

Financial Adviser to Geely Automobile Holdings Limited



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



**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE
ACQUISITIONS**

(a) Baoji Acquisition

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

(b) Yili Acquisition

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

(c) SZX Acquisition

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

(2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS

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

(3) FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT

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

The Services Agreement was entered into between the Company and Geely Holding on 27 November 2009 and has a term of 10 years from 1 January 2010 to 31 December 2020. Pursuant to the Services Agreement, (i) the Group has agreed to sell CKDs and Sedan Tool Kits to the Geely Holding Group; and (ii) the Geely Holding Group has agreed to sell CBUs, automobile parts and components, and provide process manufacturing services to the Group. The Services Agreement was approved by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 31 December 2009.

In view of the better-than-expected demand for the Group's products, the Board expects that the Revised Annual Caps for the sale of CKDs and purchase of CBUs under the Services Agreement for the two years ending 31 December 2018 will not be sufficient to meet the Company's requirements. Accordingly, the Board resolved to further revise the annual caps for the sale of CKDs and purchase of CBUs for the two years ending 31 December 2018 under the Services Agreement. Pursuant to the requirements of the Listing Rules, the Company will seek approval from the Independent Shareholders at the EGM for the Further Revised Annual Caps for the two years ending 31 December 2018 under the Services Agreement. Save for the Further Revised Annual Caps, other terms of the Services Agreement remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

(a) Connected and discloseable transactions contemplated under the Acquisition Agreements

As at the date of this announcement, both Zhejiang Geely and Shanghai Maple are owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. As such, each of Zhejiang Geely, Shanghai Maple and Geely Holding is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 44.03% of the total issued share capital of the Company as at the date of this announcement, and is a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

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

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

LYNK & CO is a joint venture of the Company and is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI as at the date of this announcement. Zhejiang Haoqing and VCI are owned as to 90% and 99%, respectively by Geely Holding. As Geely Holding is a connected person of the Company, the transactions contemplated under the Powertrain Sales Agreement constitute continuing connected transactions for the Company.

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

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

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Acquisition Agreements, the Powertrain Sales Agreement and the Services Agreement by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement, and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders. A circular containing, among other things, (i) further information about the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps, respectively; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps; 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 8 December 2017 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

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

EXPECTED DATE OF DESPATCH OF CIRCULAR IN RELATION TO THE LYNK & CO FINANCING ARRANGEMENTS

Reference is made to the Company's announcement dated 3 November 2017 in relation to the LYNK & CO Financing Arrangements. A circular containing, among other things, (i) information on the LYNK & CO Financing Arrangements; (ii) a letter from the independent board committee and the recommendations of the independent financial adviser in respect of the LYNK & CO Financing Arrangements; and (iii) a notice of extraordinary general meeting will be despatched to the Shareholders on or about 8 December 2017 (which is more than 15 business days after the publication of the announcement dated 3 November 2017 in relation to the LYNK & CO Financing Arrangements) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS

(A) Baoji Acquisition

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

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

Date

7 November 2017 (after trading hours)

Parties

Vendor: Zhejiang Geely

Purchaser: Geely Luoyou

Geely Luoyou is principally engaged in production of automobile engines and is an indirect 99% owned subsidiary of the Company.

Zhejiang Geely is principally engaged in the manufacture and sale of automobile and related components in the PRC. As at the date of this announcement, Zhejiang Geely is directly owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.03% of the total issued share capital of the Company. Accordingly, Zhejiang Geely is an associate of Mr. Li and a connected person of the Company.

Subject matter

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

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

Consideration

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

The consideration for the Baoji Acquisition was determined after arm’s length negotiations between Geely Luoyou and Zhejiang Geely with reference to (i) the net asset value of the Baoji Target prepared under the HKFRS as at 30 September 2017 of approximately RMB22.2 million; (ii) the valuation premium over the carrying value of the Baoji Land and Buildings based on the Valuation Report of approximately RMB82.9 million as at 30 September 2017; and (iii) the capital contribution of RMB240.0 million which is expected to be made by Zhejiang Geely into Baoji Target in November 2017. It is expected that the consideration for the Baoji Acquisition will be funded by internal resources of the Group.

Undertaking in respect of the Baoji Land and Buildings

As at the date of this announcement, the Baoji Target holds an industrial complex located in Baoji City, Shaanxi Province, the PRC (i.e. the Baoji Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Baoji Land and Buildings comprised (i) one parcel of land with a total site area of approximately 217,582.67 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings,

warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,156.70 sq.m., the construction of which was completed in 2017. As further stated in the Valuation Report, (i) the Baoji Target held one state-owned land use rights certificate, one construction land planning permit, one construction work planning permit and one construction work commencement permit for the Baoji Land and Buildings; and (ii) the Baoji Target had not obtained title certificates for the nine buildings comprising the Baoji Land and Buildings. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the Baoji Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the Baoji Target is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the Baoji Target upon completion of the final inspection and acceptance procedure by the relevant authorities.

Pursuant to the Baoji Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the Baoji Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Zhejiang Geely shall indemnify Geely Luoyou and the Company for any loss arising therefrom, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Baoji Acquisition.

Baoji shareholder's loan

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

Conditions precedent

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

- (a) Geely Luoyou being satisfied with the results of its due diligence review on the Baoji Target, including but not limited to:
 - (i) the completion of the legal procedures in respect of the capital contribution to the Baoji Target by Zhejiang Geely, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Zhejiang Geely; and

- (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the Baoji Target;
- (b) the Company having obtained the Independent Shareholders' approval at the EGM for the Baoji Acquisition in accordance with the Listing Rules;
- (c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the Baoji Acquisition, including but not limited to, the obtaining of the new business license of the Baoji Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the Baoji Target;
- (d) the representations and warranties made by Zhejiang Geely in the Baoji Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Geely having performed fully its obligations under the Baoji Acquisition Agreement on or before completion of the Baoji Acquisition; and
- (e) (i) there being no material adverse change in the existence, business and financial positions of the Baoji Target; and (ii) no statute, regulation, proceeding or order pertaining to the Baoji Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the Baoji Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Baoji Acquisition Agreement.

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

Completion of the Baoji Acquisition

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

(B) Yili Acquisition

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

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

Date

7 November 2017 (after trading hours)

Parties

Vendors: Zhejiang Geely and Shanghai Maple

Purchaser: Geely Luoyou

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

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

Subject matter

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

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

Consideration

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

The consideration for the Yili Acquisition was determined after arm's length negotiations among Geely Luoyou, Zhejiang Geely and Shanghai Maple with reference to (i) the net asset value of the Yili Target prepared under the HKFRS as at 30 September 2017 of approximately RMB58.4 million; (ii) the valuation premium over the carrying value of the Yili Land and Buildings based on the Valuation Report of approximately RMB36.6 million as at 30 September 2017; and (iii) the capital contribution of RMB400.0 million which is expected to be made by Zhejiang Geely and Shanghai Maple into Yili Target in November 2017. It is expected that the consideration for the Yili Acquisition will be funded by internal resources of the Group.

Undertaking in respect of the Yili Land and Buildings

As at the date of this announcement, the Yili Target holds an industrial complex located in Yiwu City, Zhejiang Province, the PRC (i.e. the Yili Land and Buildings). According to the Valuation Report, as at 30 September 2017, the Yili Land and Buildings comprised (i) two parcels of land with a total site area of approximately 268,296.31 sq.m.; and (ii) nine buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 68,118.63 sq.m., the construction of which was completed in 2017. As further stated in the Valuation Report, (i) the Yili Target held two real estate rights certificates, two construction work planning permits and one construction work commencement permit for the Yili Land and Buildings; and (ii) the Yili Target had not obtained construction work commencement permits for eight buildings and title certificates for nine buildings comprising the Yili Land and Buildings. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the Yili Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the Yili Target is in compliance with the relevant laws in principle; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the Yili Target upon undertaking the necessary procedures for obtaining the relevant permits and completion of the final inspection and acceptance procedure by the relevant authorities.

Pursuant to the Yili Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the Yili Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Zhejiang Geely and Shanghai Maple shall indemnify Geely Luoyou and the Company for any loss arising therefrom, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the Yili Acquisition.

Yili shareholder's loan

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

Conditions precedent

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

- (a) Geely Luoyou being satisfied with the results of its due diligence review on the Yili Target, including but not limited to:
 - (i) the completion of the legal procedures in respect of the capital contribution to the Yili Target by Zhejiang Geely and Shanghai Maple, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Zhejiang Geely and Shanghai Maple; and
 - (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the Yili Target;
- (b) the Company having obtained the Independent Shareholders' approval at the EGM for the Yili Acquisition in accordance with the Listing Rules;
- (c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the Yili Acquisition, including but not limited to, the obtaining of the new business license of the Yili Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the Yili Target;
- (d) the representations and warranties made by Zhejiang Geely and Shanghai Maple in the Yili Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Geely and Shanghai Maple having performed fully their obligations under the Yili Acquisition Agreement on or before completion of the Yili Acquisition; and

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

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

Completion of the Yili Acquisition

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

(C) SZX Acquisition

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

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

Date

7 November 2017 (after trading hours)

Parties

Vendors: Geely Holding

Purchaser: Geely Luoyou

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

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

Subject matter

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

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

Consideration

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

The consideration for the SZX Acquisition was determined after arm’s length negotiations between Geely Luoyou and Geely Holding with reference to (i) the net asset value of the SZX Target prepared under the HKFRS as at 30 September 2017 of approximately RMB33.7 million; (ii) the valuation premium over the carrying value of the SZX Land and Buildings based on the Valuation Report as at 30 September 2017 of approximately RMB64.4 million; and (iii) the capital contribution of RMB895.0 million which is expected to be made by Geely Holding into SZX Target in November 2017. It is expected that the consideration for the SZX Acquisition will be funded by internal resources of the Group.

Undertaking in respect of the SZX Land and Buildings

As at the date of this announcement, the SZX Target holds an industrial complex located in Ningbo City, Zhejiang Province, the PRC (i.e. the SZX Land and Buildings). According to the Valuation Report, as at 30 September 2017, the SZX Land and Buildings comprised (i) two parcels of land with a total site area of approximately 142,376.50 sq.m.; (ii) 12 buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 71,323.81 sq.m., the construction of which was completed in 2017; and (iii)

10 buildings (including manufactory buildings, staff dormitories and ancillary buildings) which were under construction with a total planned gross floor area of 77,513.10 sq.m., the construction of which is expected to be completed in April 2019. As further stated in the Valuation Report, (i) the SZX Target held one state-owned land use rights certificate, one real estate right certificate, two construction land planning permits, two construction work planning permits and one construction work commencement permit for the SZX Land and Buildings; and (ii) the SZX Target had not obtained title certificates for the 12 buildings comprising the SZX Land and Buildings. According to the legal opinion from the PRC legal advisor to the Company, (i) the land use rights of the SZX Target are true, legal and effective, free of guarantee and pledge; (ii) the construction in progress held by the SZX Target is in compliance with the relevant laws; and (iii) there are no material legal impediments in obtaining the title certificates for the construction in progress held by the SZX Target upon completion of the final inspection and acceptance procedure by the relevant authorities.

Pursuant to the SZX Acquisition Agreement, in the event that any of the title certificates for the construction in progress and/or buildings of the SZX Target as stated in the Valuation Report have not been obtained on or before 31 December 2018, Geely Holding shall indemnify Geely Luoyou and the Company for any loss arising therefrom, and shall pay to Geely Luoyou a penalty calculated based on an annual interest rate of 4.35% of the consideration for the SZX Acquisition.

SZX shareholder's loan

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

Conditions precedent

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

- (a) Geely Luoyou being satisfied with the results of its due diligence review on the SZX Target, including but not limited to:
 - (i) the completion of the legal procedures in respect of the capital contribution to the SZX Target by Geely Holding, and the obtaining of a capital verification report issued by a qualified accountant confirming that all such capital contribution has been duly made by Geely Holding; and

- (ii) the obtaining of all licenses, consents and/or approvals necessary to conduct the business operations of the SZX Target;
- (b) the Company having obtained the Independent Shareholders' approval at the EGM for the SZX Acquisition in accordance with the Listing Rules;
- (c) the obtaining of all consents, waivers and/or approvals from the relevant government authorities or third parties required for the SZX Acquisition, including but not limited to, the obtaining of the new business license of the SZX Target and the online search results on the SAIC's website indicating that Geely Luoyou is the sole shareholder of the SZX Target;
- (d) the representations and warranties made by Geely Holding in the SZX Acquisition Agreement remaining true and accurate in all material respects and not misleading in any respect, and Geely Holding having performed fully its obligations under the SZX Acquisition Agreement on or before completion of the SZX Acquisition; and
- (e) (i) there being no material adverse change in the existence, business and financial positions of the SZX Target; and (ii) no statute, regulation, proceeding or order pertaining to the SZX Target having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the date of completion of the SZX Acquisition that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the SZX Acquisition Agreement.

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

Completion of the SZX Acquisition

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

INFORMATION ON THE TARGET COMPANIES

Principal businesses of the Target Companies

(a) *Baoji Target*

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

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

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

(b) *Yili Target*

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

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

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

(c) SZX Target

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

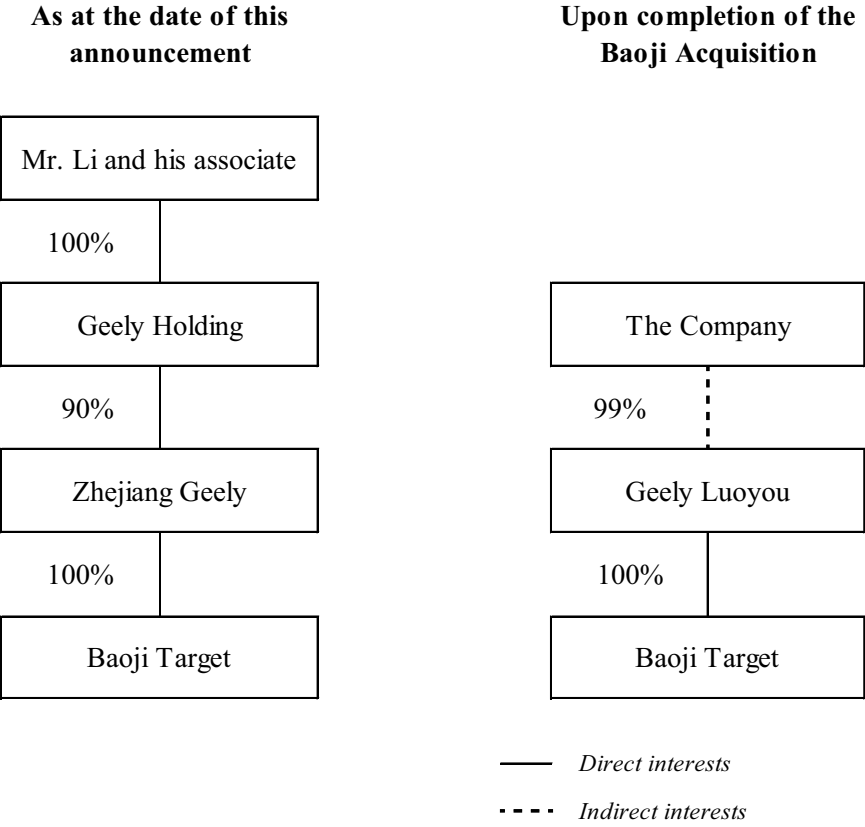
As at the date of this announcement, the SZX Target holds an industrial complex located in Ningbo City, Zhejiang Province, the PRC (i.e. the SZX Land and Buildings). According to the Valuation Report, as at 30 September 2017, the SZX Land and Buildings comprised (i) two parcels of land with a total site area of approximately 142,376.50 sq.m.; (ii) 12 buildings and various ancillary structures (including manufactory buildings, warehouses, office building, guard rooms and ancillary buildings) with a total gross floor area of approximately 71,323.81 sq.m., the construction of which was completed in 2017; and (iii) 10 buildings (including manufactory buildings, staff dormitories and ancillary buildings) which were under construction with a total planned gross floor area of 77,513.10 sq.m., the construction of which is expected to be completed in April 2019.

The manufacturing facilities of the SZX Target have commenced commercial production in October 2017 and are expected to have a production capacity of approximately 600,000 units of transmission and related after-sales parts per annum upon full operation.

Shareholding structures of the Target Companies

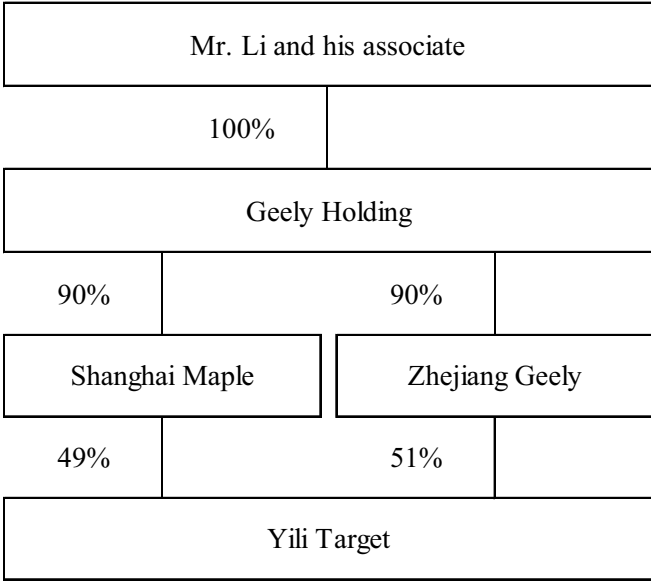
The following diagrams set out the shareholding structures of the Target Companies before and upon completion of the Acquisitions:

Baoji Target

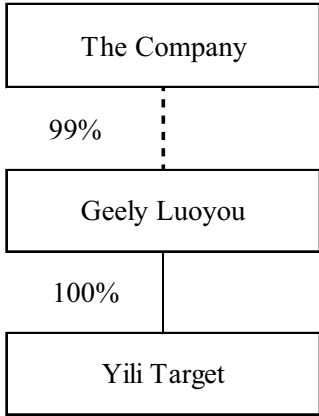


Yili Target

As at the date of this announcement



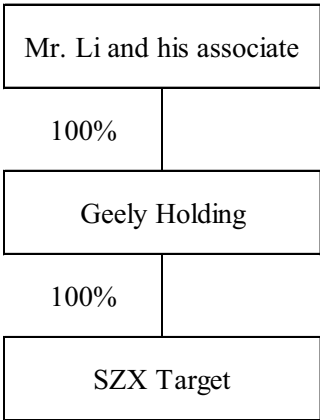
Upon completion of the Yili Acquisition



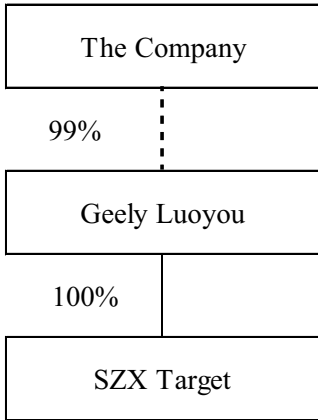
— Direct interests
 - - - Indirect interests

SZX Target

As at the date of this announcement



Upon completion of the SZX Acquisition



— Direct interests
 - - - Indirect interests

Financial information on the Target Companies

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

Baoji Target

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

The unaudited net asset value of the Baoji Target as at 30 September 2017 amounted to approximately RMB22,178,000.

Yili Target

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

The unaudited net asset value of the Yili Target as at 30 September 2017 amounted to approximately RMB58,446,000.

SZX Target

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

The revenue generated by SZX Target for the two years ended 31 December 2016 and the nine months ended 30 September 2017 was mainly due to the sales of transmissions to relevant research centers for testing and verification, to prepare for the commercial production commenced in October 2017. The unaudited net asset value of the SZX Target as at 30 September 2017 amounted to approximately RMB33,660,000.

(2) CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE ACQUISITIONS

Powertrain Sales Agreement

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

Date: 7 November 2017

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

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

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is beneficially wholly owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.03% interest in the total issued share capital of the Company as at the date of this announcement.

Subject matter:

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

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

Pricing basis:

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

$$\text{Selling price} = C1 \times (1+6\%)$$

Where:

C1 = actual costs incurred for the manufacturing of engines, transmissions and after-sales parts plus related tax.

The margin rate of 6% was determined by the Company, LYNK & CO and Geely Holding after arm's length negotiation with reference to the market rate for similar transactions in the PRC.

Payment term:

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

Term:

From 1 January 2018 to 31 December 2020

Conditions precedent for the Powertrain Sales Agreement

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

Powertrain Sales Annual Caps

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

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

Basis of determination of the proposed annual caps

The Powertrain Sales Annual Caps were determined by the Directors with reference to (i) the estimated number of units of engines, transmissions and related after-sales parts to be sold by the Group to the LYNK & CO Group and the Geely Holding Group based on the production capacity of the Target Companies and the demand for such engines, transmissions and related after-sales parts of the LYNK & CO Group and the Geely Holding Group for the years ending 31 December 2018, 2019 and 2020; and (ii) the projected manufacturing cost of engines, transmissions and related after-sales parts for the years ending 31 December 2018, 2019 and 2020, respectively and the margin rate of 6% over such projected manufacturing costs.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Powertrain Sales Annual Caps for the three years ending 31 December 2020 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(3) FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT

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

The Services Agreement was entered into between the Company and Geely Holding on 27 November 2009 and has a term of 10 years from 1 January 2010 to 31 December 2020. The then Rule 14A.35(1) of the Listing Rules (now Rule 14A.52) provides, in relation to continuing connected transactions not falling under Rule 14A.33 of the Listing Rules, that where under special circumstances the nature of the transaction requires the agreement to be of a duration longer than three years, the independent financial adviser to the Company will be required to explain why a longer period for the agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. The relevant independent financial adviser opined in the Company's circular dated 14 December 2009 that it is normal business practice for agreements like the Services Agreement to have a term longer than three years. The Services Agreement was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 31 December 2009. On 28 November 2016, the relevant original annual caps under the Services Agreement for the years ending 31 December 2016, 2017 and 2018 were revised ("**Revised Annual Caps**") and was approved by the then Independent Shareholders.

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

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

Date: 27 November 2009

Parties: The Company; and Geely Holding

Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Holding is beneficially wholly owned by Mr. Li and his associate, and Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.03% interest in the total issued share capital of the Company as at the date of this announcement.

Term: From 1 January 2010 to 31 December 2020

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

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

Subject matter: Pursuant to the Services Agreement, the Group has agreed to supply to the Geely Holding Group, CKDs and Sedan Tool Kits in accordance with the product specifications set out in the Services Agreement. During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group which shall be based on normal commercial terms and determined by the parties to the Services Agreement on arm's length basis and in compliance with the Listing Rules.

The additional services, subject to the Group's ability in providing such requested services, will be related to services that might occur in the process of manufacturing CKDs and Sedan Tool Kits for new models in the future.

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

Pricing basis:

Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling price of sedans to end customers, less distribution costs, costs of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes and water construction fund and stamp duty tax; consumption taxes applicable to the Group's vehicle models fall under different tax charge categories ranging from 1% to 25% depending on the sedan's engine displacement sizes, and water construction fund and stamp duty tax which varies according to different regions in the PRC), and costs of other necessary and reasonable expenses, which mainly include the relevant salary and other office expenses.

The Sedan Tool Kits to be supplied by the Group to the Geely Holding Group will be based on the actual cost of the Sedan Tool Kits to the Group. The Sedan Tool Kits will be sold back to the Group for distribution to the end customers (for the avoidance of doubt, the Sedan Tool Kits sold back from the Geely Holding Group to the Group are included as part of CBUs).

Historical transaction amounts and proposed Further Revised Annual Caps

The table below sets out the historical transaction amounts for the year ended 31 December 2016 and the nine months ended 30 September 2017, and the proposed Further Revised Annual Caps for the sale of CKDs by the Group to the Geely Holding Group pursuant to the Services Agreement for the two years ending 31 December 2018. The annual caps for the sale of Sedan Tool Kits for each of the three years ending 31 December 2018 pursuant to the Services Agreement will remain unchanged.

	Historical transaction amount for the		Revised Annual Caps announced on 18 October 2016		Proposed Further Revised Annual Caps for the year ending 31 December	
	year ended 31 December 2016 (Audited) RMB'000	nine months ended 30 September 2017 (Unaudited) RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000
Sale of CKDs	50,617,641	56,909,233	78,909,319	100,974,729	88,760,850	121,382,040

Basis of determination of the proposed annual caps

The Further Revised Annual Caps for the sale of CKDs to the Geely Holding Group by the Group were determined by the Directors with reference to (i) the historical transaction amount for the nine months ended 30 September 2017; (ii) the projected sales of the Group for the remaining period of 2017 and the year ending 31 December 2018 having taken into account the better-than-expected sales performance of the Group for the nine months ended 30 September 2017; (iii) the projected average selling price to end customers for the remaining period of 2017 and the year ending 31 December 2018; and (iv) the applicable PRC tax rates and the projected distribution costs and other relevant costs and expenses for the remaining period of 2017 and the year ending 31 December 2018.

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

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

Pricing basis: Pursuant to the Services Agreement, the CBUs, depending on the models and types, will be sold to the Group based on the selling price of the sedans to end customers, less distribution costs. The automobile parts and components to be supplied by the Geely Holding Group will be based on the original purchase cost plus the relevant procurement cost(s), being the actual cost(s) incurred in the procurement process by the Geely Holding Group.

With regard to the process manufacturing services, the fee to be charged by the Geely Holding Group will be based on the annual linear depreciation of the value of the imported molding equipment plus the actual cost incurred by Geely Holding Group for the process manufacturing services (which comprise mainly the factory leasing costs and direct labour and overhead costs).

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

Historical transaction amounts and proposed Further Revised Annual Caps

The table below sets out the historical transaction amounts for the year ended 31 December 2016 and the nine months ended 30 September 2017, and the proposed Further Revised Annual Caps for the purchase of CBUs by the Group from the Geely Holding Group pursuant to the Services Agreement for the two years ending 31 December 2018. The annual caps for the purchase of automobile parts and components, and the process manufacturing services fees pursuant to the Services Agreement for each of the three years ending 31 December 2018 will remain unchanged.

	Historical transaction amount for the		Revised Annual Caps announced on 18 October 2016		Proposed Further Revised Annual Caps for the year ending 31 December	
	year ended 31 December 2016	nine months ended 30 September 2017	2017	2018	2017	2018
	(Audited)	(Unaudited)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of CBUs	51,659,054	58,780,100	80,575,051	102,574,303	93,295,760	127,350,870

Basis of determination of the proposed Further Revised Annual Caps

The Further Revised Annual Caps for the purchase of CBUs by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the historical transaction amount for the nine months ended 30 September 2017; (ii) the projected sales of the Group for the remaining period of 2017 and the year ending 31 December 2018 having taken into account the better-than-expected sales performance of the Group for the nine months ended 30 September 2017; (iii) the projected average selling price to end customers for the remaining period of 2017 and the year ending 31 December 2018; and (iv) the project distribution costs for the remaining period of 2017 and the year ending 31 December 2018.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the Further Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

(1) The Acquisition Agreements and the Powertrain Sales Agreement

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

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

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

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

vehicle engines, transmissions and related after-sales part by the Group to the Geely Holding Group pursuant to the Powertrain Sales Agreement will also generate a stable revenue stream for the Group.

(2) Further Revised Annual Caps under the Services Agreement

Pursuant to the Services Agreement, the Group has agreed to supply to the Geely Holding Group CKDs and Sedan Tool Kits, and the Geely Holding Group has agreed to sell CBUs, automobile parts and components, and provide process manufacturing services to the Group for a term of 10 years from 1 January 2010 to 31 December 2020. The Geely Holding Group performs final assembly on the CKDs and the Sedan Tool Kits and facilitates payment of the PRC consumption tax. After performing final assembly, the Geely Holding Group sells CBUs back to the Group's sales companies for distribution to end customers. As the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission (NDRC) in the PRC, which is required to facilitate payment of the PRC consumption tax, the above arrangement will ensure smooth operation of the Group, as the services of the Geely Holding Group would help facilitate payment of the PRC consumption tax. As disclosed in the Company's announcement dated 6 November 2017, the total sales volume of the Group for the ten months ended 31 October 2017 was 952,226 units, representing an increase of approximately 72% from the same period last year, and achieving around 87% of the Group's revised full year sales volume target of 1,100,000 units in 2017. In view of the better-than-expected sales performance so far in 2017, as well as the fact that the fourth quarter of the year is normally the peak season for automobile sales, the Directors estimate the sale of CKDs and the purchase of CBUs for the years ending 31 December 2017 and 2018 will exceed the Revised Annual Caps for the two years ending 31 December 2018 under the Services Agreement.

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

Internal Control Measures in Relation to Pricing

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

The Powertrain Sales Agreement

For the sales of engines, transmissions and related after-sales parts by the Group to the Geely Holding Group upon completion of the Acquisitions, the Group will monitor the manufacturing costs as well as the applicable PRC taxes to ensure that the selling price of the engines, transmissions and related after-sales parts are determined correctly. The Group and the Geely Holding Group will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

The Services Agreement

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

For the sales of CKDs and Sedan Tool Kits by the Group, the Group will monitor the expected selling price of sedans and relevant cost items, which include mainly distribution costs, cost of Sedan Tool Kits, the PRC taxes (which comprise mainly the consumption taxes), and costs of other necessary and reasonable expenses to ensure that the selling price of CKDs and Sedan Tool Kits are determined correctly. The Group and the Geely Holding Group will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

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

For the purchases of CBUs by the Group, the Group will keep track of the expected selling price of sedans and relevant cost items, which include mainly distribution costs, to ensure the fairness of the sales price of CBUs. For the purchases of automobile parts and components by the Group, and the provision of process manufacturing services from the Geely Holding Group to the Group, the Group and the Geely Holding Group will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions.

In relation to the aforesaid internal control measures for the Powertrain Sales Agreement and the Services Agreement, the internal audit department of the Group will conduct assessment on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Company also engages its independent auditor to report on all continuing connected transactions every year. The independent auditor review and confirm whether all continuing

connected transactions have been approved by the Board; were in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

IMPLICATIONS UNDER THE LISTING RULES

(a) Connected and discloseable transactions contemplated under the Acquisition Agreements

As at the date of this announcement, both Zhejiang Geely and Shanghai Maple are owned as to 90% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. As such, each of Zhejiang Geely, Shanghai Maple and Geely Holding is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 44.03% of the total issued share capital of the Company as at the date of this announcement, and is a connected person of the Company. Accordingly, the Acquisitions constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

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

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

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

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

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

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to have material interests in the Acquisition Agreements, the Powertrain Sales Agreement and the Services Agreement by virtue of their interests and/or

directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement.

EGM

The EGM will be convened to consider and approve the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement. Mr. Li and his associates together holding 3,948,604,000 Shares (representing approximately 44.03% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 14,475,000 Shares (representing approximately 0.16% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,200,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 16,280,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) as at the date of this announcement, will all abstain from voting on the resolution to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement (including the Powertrain Sales Annual Caps) and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement, and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder, and the Further Revised Annual Caps under the Services Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders. A circular containing, among other things, (i) further information about the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps, respectively; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition Agreements, the Powertrain Sales Agreement and the Further Revised Annual Caps; 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 8 December 2017 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

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

EXPECTED DATE OF DESPATCH OF CIRCULAR IN RELATION TO THE LYNK & CO FINANCING ARRANGEMENTS

Reference is made to the Company's announcement dated 3 November 2017 in relation to the LYNK & CO Financing Arrangements. A circular containing, among other things, (i) information on the LYNK & CO Financing Arrangements; (ii) a letter from the independent board committee and the recommendations of the independent financial adviser in respect of the LYNK & CO Financing Arrangements; and (iii) a notice of extraordinary general meeting will be despatched to the Shareholders on or about 8 December 2017 (which is more than 15 business days after the publication of the announcement dated 3 November 2017 in relation to the LYNK & CO Financing Arrangements) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

DEFINITIONS

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

“Acquisitions”	the Baoji Acquisition, Yili Acquisition and SZX Acquisition collectively
“Acquisition Agreements”	the Baoji Acquisition Agreement, the Yili Acquisition Agreement and the SZX Acquisition Agreement, collectively
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Baoji Acquisition”	the acquisition of the entire registered capital of the Baoji Target by Geely Luoyou from Zhejiang Geely pursuant to the Baoji Acquisition Agreement
“Baoji Acquisition Agreement”	the acquisition agreement entered into between Geely Luoyou and Zhejiang Geely on 7 November 2017 in relation to the Baoji Acquisition
“Baoji Land and Buildings”	an industrial complex located at the north of Gaoxin Avenue and the west of Chuangye Road, Chencang District, Baoji City, Shaanxi Province, the PRC held by the Baoji Target

“Baoji Target”	寶雞吉利發動機有限公司 (Baoji Geely Engine Company Limited*), a limited liability company incorporated in the PRC, and a wholly owned subsidiary of Zhejiang Geely as at the date of this announcement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“CBU(s)”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CKD(s)”	Complete Knock Down Kit(s) or CKD(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Dakin Capital” or “Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Service Agreement
“Further Revised Annual Caps”	the proposed further revised annual caps for the two years ending 31 December 2018 for the sale of CKDs and purchase of CBUs contemplated under the Services Agreement

“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the date of this announcement
“Geely Holding Group”	Geely Holding and its subsidiaries
“Geely Luoyou”	浙江吉利羅佑發動機有限公司(Zhejiang Geely Luoyou Engine Company Limited*), a limited liability company incorporated in the PRC, and a 99% owned subsidiary of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the terms of the Acquisition Agreements and the transactions contemplated thereunder, the Powertrain Sales Agreement and the transactions contemplated thereunder (including the Powertrain Sales Annual Caps) and the Further Revised Annual Caps under the Services Agreement
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and owned as to 50% by Zhejiang Jirun as at the date of this announcement
“LYNK & CO Group”	LYNK & CO and its subsidiaries

“LYNK & CO Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the LYNK & CO Finance Cooperation Agreement; (ii) the LYNK & CO Wholesale Financing Business; and (iii) the LYNK & CO Retail Financing Business (Please refer to the Company’s announcement dated 3 November 2017 for further details)
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associate holding 44.03% interest in the total issued share capital of the Company as at the date of this announcement
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“Powertrain Sales Agreement”	the master agreement dated 7 November 2017 entered into between the Company and Geely Holding for the sale of vehicle engines, transmissions and related after-sales by the Group to the LYNK & CO Group and the Geely Holding Group upon completion of the Acquisitions
“Powertrain Sales Annual Caps”	the proposed annual caps for the three years ending 31 December 2020 for the sale by the Company of vehicle engines, transmissions and after-sale parts to the Geely Holding Group contemplated under the Powertrain Sales Agreement
“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 or its local bureaus
“Sedan Tool Kit(s)”	a tool kit(s) for subsequent basic repairs and maintenance of the sedan
“Services Agreement”	the master agreement dated 27 November 2009 entered into between the Company and Geely Holding as referred to under the section headed “(3) FURTHER REVISED ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE SERVICES AGREEMENT” in this announcement

“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a private company incorporated in the PRC and directly owned as to 90% by Geely Holding as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZX Acquisition”	the acquisition of the entire registered capital of the SZX Target by Geely Luoyou from Geely Holding pursuant to the SZX Acquisition Agreement
“SZX Acquisition Agreement”	the acquisition agreement entered into between Geely Luoyou and Geely Holding on 7 November 2017 in relation to the SZX Acquisition
“SZX Land and Buildings”	an industrial complex located at No. 199, Chunxiao Avenue, Beilun District, Ningbo City, Zhejiang Province, the PRC held by the SZX Target
“SZX Target”	寧波上中下自動變速器有限公司 (Ningbo Shangzhongxia Automatic Transmission Company Limited*), a limited liability company incorporated in the PRC and a direct wholly owned subsidiary of Geely Holding as at the date of this announcement
“Target Companies”	Baoji Target, Yili Target and SZX Target collectively
“Valuation Report”	the valuation report on the Baoji Land and Buildings, the Yili Land and Buildings and the SZX Land and Buildings prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited*), a limited liability company established in the PRC and a 99% owned subsidiary of Geely Holding as at the date of this announcement

“Yili Acquisition”	the acquisition of the entire registered capital of the Yili Target by Geely Luoyou from Zhejiang Geely and Shanghai Maple pursuant to the Yili Acquisition Agreement
“Yili Acquisition Agreement”	the acquisition agreement entered into among Geely Luoyou (as purchaser) and Zhejiang Geely and Shanghai Maple (as vendors) on 7 November 2017 in relation to the Yili Acquisition
“Yili Land and Buildings”	an industrial complex located at No. 18, Jixiang Road, Chi An Town, Yiwu City, Zhejiang Province, the PRC held by the Yili Target
“Yili Target”	浙江義利汽車零部件有限公司(Zhejiang Yili Automobile Components Company Limited*), a limited liability company incorporated in the PRC and directly owned as to 51% and 49% by Zhejiang Geely and Shanghai Maple, respectively as at the date of this announcement
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a private company incorporated in the PRC and directly owned as to 90% by Geely Holding as at the date of this announcement
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC and an indirect 99% owned subsidiary of the Company as at the date of this announcement
“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and a 90% owned subsidiary of Geely Holding as at the date of this announcement
“%”	per cent

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

Hong Kong, 7 November 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 purposes only*