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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)

**CONTINUING CONNECTED TRANSACTIONS**

**Financial adviser to Geely Automobile Holdings Limited**



**CIMB Securities (HK) Limited**

On 11 April 2012, the Company entered into the following agreements:

**(a) The Services Agreement**

A master agreement between the Company and Geely Holding pursuant to which the Group agrees to purchase processed automobile parts and components from the Geely Holding Group in accordance with the terms set out in the Services Agreement for a term of three years ending 31 December 2014. The details of the provision of processed automobile parts and components, including the product and service specification, shall be subject to and in accordance with the purchase order to be entered into between the Group and the Geely Holding Group from time to time;

**(b) The CBU Agreement**

A master agreement between the Company and Geely Holding pursuant to which the Group agrees to sell to the Geely Holding Group the CBUs in accordance with the terms set out in the CBU Agreement for a term of three years ending 31 December 2014. The details of the provision of CBUs, including the product and service specification, shall be subject to and in accordance with the purchase order to be entered into between the Group and the Geely Holding Group from time to time.

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial Shareholder holding approximately 50.26% of the total issued share capital of the Company as at the date of this announcement, is the controlling shareholder of Geely Holding and therefore, Geely Holding is an associate of a connected person of the Company. Accordingly, the Services Agreement and the CBU Agreement constitute continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) of the continuing connected transactions (the “Continuing Connected Transactions”) contemplated under each of the Services Agreement and the CBU Agreement is more than 0.1% but less than 5% on an annual basis, the Continuing Connected Transactions and their respective annual caps are subject to the reporting, announcement and the annual review requirements, but are exempt from the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Mr. Li is considered to have a material interest in the Continuing Connected Transactions by virtue of his interests in Geely Holding, and has abstained from voting on the Board resolutions for approving the transactions contemplated under the Services Agreement and the CBU Agreement.

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Company’s announcement dated 20 August 2009. On 20 August 2009, the Company and Geely Holding entered into two agreements for the (i) sales of automobile parts and components, brakes, and pressing parts, engines and transmissions by the Group to the Geely Holding Group and purchases of processed automobile parts and components by the Group from the Geely Holding Group for a term from 23 September 2009 to 31 December 2011 (the “Previous Services Agreement”); and (ii) sales of CBUs by the Group to the Geely Holding Group and purchases of CBUs by the Group from the Geely Holding Group for a term from 23 September 2009 to 31 December 2011 (the “Previous CBU Agreement”). As certain members of the Geely Holding Group had been acquired by the Group since then, certain of the continuing connected transactions contemplated under the Previous Services Agreement and the Previous CBU Agreement are no longer required. As such, on 11 April 2012, the Company and Geely Holding entered into (i) the Services Agreement for the purchases of processed automobile parts and components from the Geely Holding Group with similar terms set out in the Previous Services Agreement; and (ii) the CBU Agreement for the sales of CBUs to the Geely Holding Group with similar terms set out in the Previous CBU Agreement, save for those previous continuing connected transactions which are no longer applicable.

### **(I) The Services Agreement**

**Date:** 11 April 2012

**Parties:** The Company; and  
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial Shareholder holding approximately 50.26% of the total issued share capital of the Company as at the date of this announcement, is the controlling shareholder of Geely Holding and therefore, Geely Holding is an associate of a connected person of the Company.

**Subject matter:** Purchases of processed automobile parts and components by the Group from the Geely Holding Group. During the course of the Services Agreement, the Group may request additional products and services other than the aforesaid services from the Geely Holding Group. The additional products and services, subject to the Geely Holding Group's ability in providing the requested products and services, will be based on normal commercial terms, conducted on an arm's length basis and in compliance with the requirements of the Listing Rules.

**Pricing basis:** In respect of the purchases of processed automobile parts and components by the Group, it is a term of the Services Agreement that the purchase price of the processed automobile parts and components shall be based on market price which is no less favorable to the Group than to other independent third parties. If no such market price is available, the purchase price shall be determined based on normal commercial terms and through arm's length negotiations between the Group and the Geely Holding Group.

**Term:** From 11 April 2012 to 31 December 2014

## (II) The CBU Agreement

**Date:** 11 April 2012

**Parties:** The Company; and  
Geely Holding

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial Shareholder holding approximately 50.26% of the total issued share capital of the Company as at the date of this announcement, is the controlling shareholder of Geely Holding and therefore, Geely Holding is an associate of a connected person of the Company.

**Subject matter:** Sales of CBUs by the Group to the Geely Holding Group

**Pricing basis:** In respect of the sales of CBUs to the Geely Holding Group, it is a term of the CBU Agreement that: (i) the sales of CBU will be conducted on normal commercial terms and negotiated on arm's length basis; and (ii) the CBU shall be sold to the Geely Holding Group based on market price which is not lower than the Group offers to other independent third parties.

**Term:** From 11 April 2012 to 31 December 2014

## HISTORICAL TRANSACTION AMOUNTS

### (I) The Services Agreement

For each of the three years ended 31 December 2011, the total purchases of processed automobile parts and components by the Group from the Geely Holding Group transacted under the Previous Services Agreement amounted to approximately RMB2,825,000 (equivalent to approximately HK\$3,488,000), RMB9,804,000 (equivalent to approximately HK\$12,104,000) and RMB23,917,000 (equivalent to approximately HK\$29,528,000) respectively.

### (II) The CBU Agreement

For each of the three years ended 31 December 2011, the total sales of CBUs by the Group to the Geely Holding Group transacted under the Previous CBU Agreement amounted to approximately RMB2,555,000 (equivalent to approximately HK\$3,154,000), RMB53,050,000 (equivalent to approximately HK\$65,496,000) and RMB80,865,000 (equivalent to approximately HK\$99,836,000) respectively.

## DETERMINATION OF PROPOSED CAPS

The following table sets out the proposed Caps of the Continuing Connected Transactions for each of the three years ending 31 December 2014:

	Proposed Caps for the year ending 31 December		
	2012*	2013	2014
	('000)	('000)	('000)
<b>(I) The Services Agreement</b>			
– Purchases of processed automobile parts and components	RMB151,898 (equivalent to approximately HK\$187,533)	RMB218,849 (equivalent to approximately HK\$270,191)	RMB316,126 (equivalent to approximately HK\$390,289)
<b>(II) The CBU Agreement</b>			
– Sales of CBUs	RMB136,000 (equivalent to approximately HK\$167,906)	RMB224,400 (equivalent to approximately HK\$277,044)	RMB360,000 (equivalent to approximately HK\$444,456)

\* In relation to the Services Agreement and the CBU Agreement, their proposed Caps for the year ending 31 December 2012 commence from 11 April 2012.

## **Basis of determination**

### ***(I) The Services Agreement***

For determining the proposed Caps for the purchases of processed automobile parts and components, the Directors have taken into account the projected units of automobile parts and components to be purchased based on the production budget of the Group for the remaining period of the year ending 31 December 2012 and the two years ending 31 December 2014. As it is expected that there will be a continual improvement in the Group's product mix towards high-end models, which will require the processed automobile parts and components to be sourced from the Geely Holding Group, together with the increase in demand for these high-end models, the need of processed automobile parts and components for the production of these high-end models are expected to increase gradually in the three years ending 31 December 2014. As compared with the historical transaction amount for the year ended 31 December 2011, the significant increase in the annual cap for the remaining period of the year ending 31 December 2012 was primarily attributable to the inception of more advanced and high-priced processed automobile parts and components from the Geely Holding Group to the Group.

### ***(II) The CBU Agreement***

For determining the proposed Caps for the sales of CBUs, the Directors have taken into account the projected units of CBU to be sold based on the sales budget of the Group to the Geely Holding Group and the estimated average selling prices per CBU for the remaining period of the year ending 31 December 2012 and the two years ending 31 December 2014. As it is expected that there will be new car models to be launched in the financial year 2013 and 2014 respectively together with an estimated increase in average selling price per CBU across the two-year period, the projected sales of CBU to the Geely Holding Group for distribution are expected to increase progressively.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

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

The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

### ***(I) The Services Agreement***

As the Geely Holding Group has a strong research team which is capable of processing the processed automobile parts and components according to the specifications of the Group, the Directors are of the view that the Group will benefit from the purchases of processed automobile parts and components from the Geely Holding Group by securing a reliable source of supply of processed automobile parts and components.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Services Agreement, including its annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **(II) The CBU Agreement**

Given that (i) Geely Holding has better distribution channels in the PRC; and (ii) the price for the sales of CBUs to the Geely Holding Group under the CBU Agreement will not be less than the price offered to independent third party distributors, the Directors consider that it is in the interest of the Company to sell the CBUs to the Geely Holding Group as it would ensure a stable demand for the Company's products.

The Directors (including the independent non-executive Directors) are of the view that the terms of the CBU Agreement, including its annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li, an executive Director and a substantial Shareholder holding approximately 50.26% of the total issued share capital of the Company as at the date of this announcement, is the controlling shareholder of Geely Holding and therefore, Geely Holding is an associate of a connected person of the Company. Accordingly, the Services Agreement and the CBU Agreement constitute continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) of the Continuing Connected Transactions is more than 0.1% but less than 5% on an annual basis, the Continuing Connected Transactions and their respective annual caps are subject to the reporting, announcement and the annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Li is considered to have a material interest in the Continuing Connected Transactions by virtue of his interests in Geely Holding, and has abstained from voting on the Board resolutions for approving the transactions contemplated under the Services Agreement and the CBU Agreement.

## DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the continuing connected transactions contemplated under the Services Agreement and the CBU Agreement for each of the three financial years ending 31 December 2014 as set out under the section headed “Determination of Proposed Caps”
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“CBU Agreement”	the master agreement dated 11 April 2012 entered into between the Company and Geely Holding as referred to under the sub-section headed “(II) The CBU Agreement” of the section headed “Continuing Connected Transactions” of this announcement
“Company”	Geely Automobile Holdings Limited, a public company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Mr. Li and his associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, a Director holding 50.26% interest in the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Services Agreement”	the master agreement dated 11 April 2012 entered into between the Company and Geely Holding as referred to under the subsection headed “(I) The Services Agreement” of the section headed “Continuing Connected Transactions” of this announcement
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

$$\text{RMB1} = \text{HK\$1.2346}$$

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

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

Hong Kong, 11 April 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang, Dr. Zhao Fuquan, Ms. Wei Mei, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, the non-executive directors of the Company are Mr. Yin Da Qing, Richard and Mr. Wang Yang and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, Mr. Yeung Sau Hung, Alex and Mr. Fu Yu Wu.*