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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)

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **The New CBU Agreement**

Reference is made to the Company's announcement dated 11 April 2012 regarding the Existing CBU Agreement pursuant to which the Group agreed to sell to the Geely Holding Group the CBUs in accordance with the terms set out therein for a term of three years ending 31 December 2014.

As the Existing CBU Agreement is due to expire on 31 December 2014, the Company and Geely Holding, on 12 December 2014 (after trading hours), entered into the New CBU Agreement pursuant to which the Group agrees to continue sell the CBUs to the Geely Holding Group on terms similar to those set out in the Existing CBU Agreement for a term of three years ending 31 December 2017. The details of the provision of CBUs, including the product and service specification, will 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.

### **IMPLICATIONS UNDER THE LISTING RULES**

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 associates. As such, Geely Holding is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 42.72% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the New CBU Agreement constitutes continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Continuing Connected Transactions contemplated under the New CBU Agreement are more than 0.1% but less than 5% on an annual basis, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements, and 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. As a result, Mr. Li has abstained from voting on the Board resolution for approving the New CBU Agreement.

### **The New CBU Agreement**

Reference is made to the Company's announcement dated 11 April 2012 regarding the Existing CBU Agreement pursuant to which the Group agreed to sell to the Geely Holding Group the CBUs in accordance with the terms set out therein for a term of three years ending 31 December 2014. As the Existing CBU Agreement is due to expire on 31 December 2014, the Company and Geely Holding, on 12 December 2014 (after trading hours), entered into the New CBU Agreement pursuant to which the Group agrees to continue to sell the CBUs to the Geely Holding Group on terms similar as that set out in the Existing CBU Agreement for a term of three years ending 31 December 2017.

### **Date**

12 December 2014 (after trading hours)

### **Parties**

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

### **Subject matter**

Sales of CBUs by the Group to the Geely Holding Group.

### **Terms**

From 1 January 2015 to 31 December 2017.

### **Pricing policy**

In respect of the sales of CBUs to the Geely Holding Group from the Group pursuant to the New CBU Agreement, the selling price of the CBUs will be determined in accordance with the principle of (i) the sales of CBUs will be conducted on an arm's length basis and on normal commercial terms;

and (ii) the CBUs will be sold with reference to the prevailing market price of substantially similar products of the same period and at prices which are not lower than the prices at which the Group offers to other independent third party distributors. The prevailing market price of CBUs will be determined based on the following:

- (a) the price of the same or similar CBUs available to other independent third party distributors in the same or near region agreed on normal commercial terms and in the ordinary course of business; or
- (b) if paragraph (a) is not applicable, the price of the same or similar CBUs available to other independent third party distributors in the PRC agreed on normal commercial terms and in the ordinary course of business.

The pricing policy will be supervised and monitored by the Group's general managers in charge to ensure the New CBU Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The internal audit department of the Group will conduct regular checks to review and assess whether the CBUs have been supplied in accordance with the terms of the New CBU Agreement and in accordance with the pricing policy described above. The Company will also engage its auditors to conduct an annual review of the Continuing Connected Transactions.

## HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The table below sets out the historical transaction amounts under the Existing CBU Agreement for the year ended 31 December 2013 and the ten months ended 31 October 2014, and the proposed annual caps of the New CBU Agreement for each of the three years ending 31 December 2015, 2016 and 2017:

	Historical transaction amount for the year ended 31 December 2012 (Audited) '000	Historical transaction amount for the year ended 31 December 2013 (Audited) '000	Historical transaction amount for the ten months ended 31 October 2014 (Unaudited) '000	Estimated annual caps for the year ending 31 December		
				2015	2016	2017
				'000	'000	'000
Existing/New CBU Agreement						
- Sales of CBUs	RMB58,747 (equivalent to approximately HK\$74,362)	RMB85,829 (equivalent to approximately HK\$108,642)	RMB97,531 equivalent to approximately HK\$123,454)	RMB207,378 (equivalent to approximately HK\$262,499)	RMB245,307 (equivalent to approximately HK\$310,510)	RMB266,285 (equivalent to approximately HK\$337,064)
Approved annual cap amount for the three financial years ending 31 December 2014 ( '000)	RMB136,000 (equivalent to approximately HK\$172,149)	RMB224,400 (equivalent to approximately HK\$284,046)	RMB360,000 (equivalent to approximately HK\$455,688)	N/A	N/A	N/A

## BASIS OF DETERMINATION OF ANNUAL CAPS

For determining the proposed Annual 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 price per CBU for the three years ending 31 December 2017. As it is expected that (i) there will be stable demand for automobiles from customers; (ii) the Group will be launching new models in coming years, which is expected to boost the Group's sales performance; and (iii) together with an estimated steady increase in the average selling price per CBU across the three-year period from 2015 to 2017, the projected sales of CBUs to the Geely Holding Group for distribution are expected to experience significant growth from 2014 to 2015, and progressive growth from 2015 to 2017.

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

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

The Existing CBU Agreement has continued to strengthen the business relationship between the Group and the Geely Holding Group. For many years, the Geely Holding Group has recognized the Group as a reliable supplier of products to meet the needs of its business, while the Group has managed to expand its sales coverage through the better distribution network of the Geely Holding Group in Taizhou, Zhejiang Province, the PRC. The Directors believe that the continuation of the Existing CBU Agreement is essential in maintaining and further developing the mutually beneficial relationship between the Group and the Geely Holding Group.

Given that (i) Geely Holding has better distribution channels in Taizhou, Zhejiang Province, the PRC; and (ii) the price for the sales of CBUs to the Geely Holding Group under the New CBU Agreement will not be less than the price offered to independent third party distributors (please refer to the subsection headed “Pricing policy” above for details on the Group’s internal control mechanism to ensure this pricing principle), the Directors consider that it is in the interest of the Company to continue 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 New CBU Agreement, including the Annual Caps are fair and reasonable and the Continuing Connected Transactions contemplated under the New CBU Agreement are in the ordinary and usual course of business of the Group 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 Geely Holding is beneficially wholly-owned by Mr. Li and his associates. As such, Geely Holding is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 42.72% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the New CBU Agreement constitutes continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Continuing Connected Transactions contemplated under the New CBU Agreement are more than 0.1% but less than 5% on an annual basis, the Continuing Connected Transactions are subject to the reporting, announcement and the annual review requirements, and 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. As a result, Mr. Li has abstained from voting on the Board resolution for approving the New CBU Agreement.

## DEFINITIONS

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

“Annual Caps”	the proposed annual caps of the continuing connected transactions contemplated under the New CBU Agreement for each of the three financial years ending 31 December 2017 as set out under the sub-section headed “Historical Transaction Amounts and Proposed Annual Caps”
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBU”	Complete Buildup Unit (整車), a complete vehicle after the final assembly
“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
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the New CBU Agreement
“Director(s)”	the director(s) of the Company
“Existing CBU Agreement”	the existing master agreement entered into between the Company and Geely Holding on 11 April 2012 in relation to the sale of CBUs from the Group to the Geely Holding Group for a term of three years ending 31 December 2014
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 90% by Mr. Li and as to 10% by Mr. Li Xing Xing, the son of Mr. Li, respectively, as at the date of this announcement

“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	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, an executive Director and a substantial Shareholder holding 42.72% interest in the issued share capital of the Company as at the date of this announcement
“New CBU Agreement”	the master agreement entered into between the Company and Geely Holding on 12 December 2014 in relation to the sale of CBUs from the Group to the Geely Holding Group for a term of three years ending 31 December 2017
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“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
“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) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

$$RMB1 = HK\$1.2658$$

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

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

Hong Kong, 12 December 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Mr. Ran Zhang, Mr. Liu Jin Liang 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. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang.*