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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)

### EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN LYNK & CO AUTO SALES COMPANY LIMITED

Financial Adviser to Geely Automobile Holdings Limited



#### THE DISPOSAL

On 26 October 2017 (after trading hours), Zhejiang Jirun, a subsidiary of the Company, entered into the Disposal Agreement with LYNK & CO Investment pursuant to which Zhejiang Jirun has conditionally agreed to dispose of the entire equity interests in the Disposal Company to LYNK & CO Investment at a cash consideration of RMB100,000,000. Upon completion of the Disposal, the Group will no longer hold any interests in the Disposal Group, and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

The Disposal Group is newly established with no material activities being carried out prior to the Disposal.

#### IMPLICATIONS UNDER THE LISTING RULES

As at the date of the announcement, LYNK & CO Investment is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Zhejiang Haoqing and VCI are owned as to 90% and 99% by Geely Holding, which in turn are beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.04% of the total issued share capital of the Company. As such, LYNK & CO Investment is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company.

As one of the applicable percentage ratios for the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

## INTRODUCTION

On 26 October 2017 (after trading hours), Zhejiang Jirun, a subsidiary of the Company, entered into the Disposal Agreement with LYNK & CO Investment pursuant to which Zhejiang Jirun has conditionally agreed to dispose of its entire equity interests in the Disposal Company to LYNK & CO Investment.

### 1. THE DISPOSAL

Principal terms of the Disposal Agreement are set forth below:

#### **Date**

26 October 2017 (after trading hours)

**Parties:**

- (i) Zhejiang Jirun, as the vendor; and
- (ii) LYNK & CO Investment, as the purchaser

Zhejiang Jirun is an indirect 99% owned subsidiary of the Company and is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC.

LYNK & CO Investment is owned as to 50% by Zhejiang Jirun, 20% by Zhejiang Haoqing and 30% by VCI. LYNK & CO Investment is principally engaged in the manufacturing and sale of vehicles under the LYNK & CO brand, and the provision of related after-sale services.

#### **Subject matter**

Pursuant to the Disposal Agreement, Zhejiang Jirun has conditionally agreed to sell, and LYNK & CO Investment has conditionally agreed to acquire, the entire equity interests in the Disposal Company. Details of the Disposal Group are set out in the section headed "INFORMATION ON THE DISPOSAL GROUP" below.

Upon completion of the Disposal, the Group will no longer hold any interests in the Disposal Group, and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

### **Consideration**

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent to the Disposal Agreement, the consideration for the Disposal will be payable in cash by LYNK & CO Investment to Zhejiang Jirun on the date of completion of the Disposal Agreement.

The consideration for the sale of the entire equity interests in the Disposal Company to LYNK & CO Investment is RMB100,000,000, which was determined after arm's length negotiations between Zhejiang Jirun and LYNK & CO Investment and represents the registered capital of the Disposal Company contributed by the Group as at the date of the announcement since the Disposal Group is newly established with no material activities being carried out prior to the Disposal.

### **Conditions precedent**

Completion of the Disposal will be conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) If applicable, the approval of the transactions contemplated under the Disposal Agreement by the Independent Shareholders in compliance with the Listing Rules;
- (ii) the obtaining of all other consents, approvals and authorizations, including any approvals or consents that may be required from the PRC authorities, in relation to the transactions contemplated under the Disposal Agreement; and
- (iii) completion of the registration of the sale and purchase of the entire equity interests of the Disposal Company with the State Administration for Industry and Commerce or its local branch.

In the event the conditions set out above are not fulfilled or waived on or before 31 December 2017 (or such later date as the parties may otherwise agree), the Disposal Agreement shall forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach.

### **Completion of the Disposal**

Completion of the Disposal shall take place no later than 5 business days (or at such other time as the parties may otherwise agree) following the satisfaction of all the conditions precedent to the Disposal Agreement have been fulfilled or waived.

## INFORMATION ON THE DISPOSAL GROUP

### Principal business of the Disposal Company

The Disposal Company is a private limited liability company incorporated in the PRC on 23 February 2017. On 23 August 2017, the Disposal Company has established a subsidiary incorporated in the PRC to own the intellectual properties in respect of the technologies used in the production of the LYNK & CO 01 Model and to bear the royalties for the use of the CMA in the production of the LYNK & CO 01 Model. The Disposal Group is newly established with no material activities being carried out prior to the Disposal.

As disclosed in the Announcement, the Disposal Company will: (a) be responsible for the establishment of LYNK & CO's dealers network, sales and marketing and after-sale services in the PRC; and (b) establish a subsidiary to be responsible for the sale of vehicles under the LYNK & CO brand and the provision of related after-sale services outside the PRC.

### Financial information of the Disposal Group

Set out below is the financial information of the Disposal Group from 23 February 2017 (date of establishment of the Disposal Company) to 30 June 2017, prepared under the HKFRS:

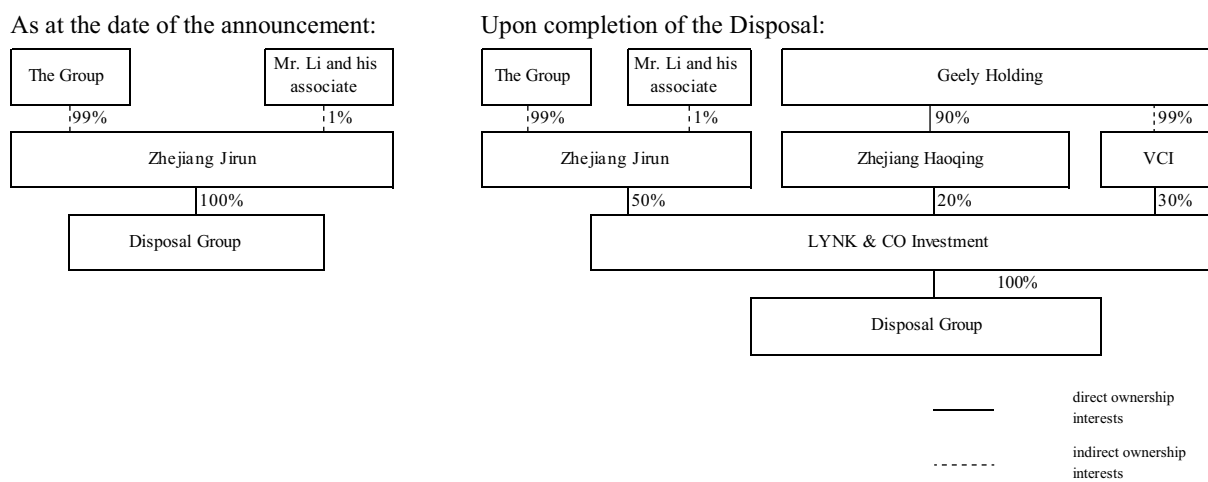
	<b>From 23 February 2017 to 30 June 2017</b>
	(Unaudited)
	<i>RMB</i>
Revenue	–
Net loss before taxation	291,420.02
Net loss after taxation	291,420.02

The unaudited net assets value of the Disposal Group as at 30 June 2017 amounted to approximately RMB99,708,579.98. Subject to final audit, it is not expected that the Disposal will give rise to a material gain or loss to the Group's financial results.

The Directors currently intend to apply the proceeds from the Disposal as general working capital of the Group.

## Shareholding structures of the Disposal Group

The following diagrams set out the shareholding structures of the Disposal Group before and upon completion of the Disposal:



## REASONS FOR AND BENEFITS OF THE DISPOSAL

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

LYNK & CO Investment is principally engaged in the manufacturing and sale of vehicles under the LYNK & CO brand, and the provision of related after-sale services. The JV Formation allows the Company, through its 50% equity interest in LYNK & CO Investment, to participate in the operation of the LYNK & CO business, which will involve the marketing of vehicles under the LYNK & CO brand globally with an aim of striving to establish the LYNK & CO brand as a premium brand. The JV Formation is expected to broaden the income stream of the Group and further strengthen the Group's market position in the automobile market. The Disposal will facilitate the establishment of the LYNK & CO's dealers network, sales and marketing and after-sale services under the LYNK & CO brand in the PRC, which is in line with the proposed business scope and strategy of LYNK & CO Investment as mentioned in the Announcement and the Circular.

Although the Disposal is not entered into in the ordinary and usual course of business of the Company, the Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of the announcement, LYNK & CO Investment is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Zhejiang Haoqing and VCI are owned as to 90% and 99% by Geely Holding, which in turn are beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately

44.04% of the total issued share capital of the Company. As such, LYNK & CO Investment is an associate of Mr. Li and a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company.

As one of the applicable percentage ratios for the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement 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 Disposal 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 Disposal.

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

## **DEFINITIONS**

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

“Announcement”	the announcement of the Company dated 4 August 2017 in relation to the JV Formation
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 1 September 2017 in relation to the JV Formation
“CMA”	compact modular architecture developed by CEVT, which will be used for developing compact models equipped with the relevant specifically designed powertrain system
“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(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the entire equity interests in the registered capital of the Disposal Company by Zhejiang Jirun to LYNK & CO Investment pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement entered into between Zhejiang Jirun and the LYNK & CO Investment on 26 October 2017 in relation to the Disposal
“Disposal Company”	領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited*), a limited company established in the PRC and is directly wholly owned by Zhejiang Jirun, as at the date of this announcement
“Disposal Group”	the Disposal Company and its subsidiary
“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, as at the date of this announcement
“Geely Holding Group”	Geely Holding and its subsidiaries
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, and their respective associates
“Joint Venture Agreement”	the joint venture agreement dated 4 August 2017 entered into between Zhejiang Jirun, Zhejiang Haoqing and VCI in relation to the formation of the LYNK & CO Investment
“JV Formation”	the formation of the LYNK & CO Investment by Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO”	a new car brand will be marketed globally striving towards a premium position, under which the LYNK & CO 01 Model will be its first vehicle model to be launched to the market

“LYNK & CO 01 Model”	a new SUV model which will be the first vehicle model under the LYNK & CO brand to be marketed
“LYNK & CO Investment”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture company established in the PRC by Zhejiang Jirun, Zhejiang Haoqing and VCI pursuant to the Joint Venture Agreement
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 44.04% interests 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
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong Special Administrative Region, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“SUV”	sport utility vehicle
“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 is 100% owned by Volvo Car Corporation as at the date of this announcement
“Volvo Car Corporation”	Volvo Car Corporation, an automobile manufacturer established in 1927 and headquartered in Gothenburg, Sweden, and a wholly owned subsidiary of Volvo Car AB and is indirectly 99% owned by Geely Holding as at the date of this announcement



“Volvo Car AB”	Volvo Car AB, a limited liability company incorporated in Sweden and is indirectly 99% owned by Geely Holding 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 is 90% owned 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

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

\* *for identification purpose only*

Hong Kong, 26 October 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.*