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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)

**CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF A SUBSIDIARY
AND
CONTINUING CONNECTED TRANSACTIONS**

(1) THE AGREEMENT

On 5 February 2013, Luck Empire, an indirectly wholly owned subsidiary of the Company, entered into the Agreement with Shanghai Maple pursuant to which Luck Empire conditionally agrees to dispose of a 51% interest in the registered capital of Shanghai LTI, an indirectly owned subsidiary of the Company, to Shanghai Maple at a consideration of RMB173,350,000 (equivalent to approximately HK\$215,023,000). Upon completion of the Disposal, Shanghai LTI will cease to be a subsidiary of the Company and its accounts will cease to be consolidated with the financial statements of the Group.

As stated in the Company's announcement dated 16 November 2012, the Company entered into the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement on 27 November 2009. As the Group will cease its Taxi Business upon completion of the Disposal, the continuing connected transactions contemplated under both the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement will be terminated.

(2) THE SUPPLEMENTAL LEASE AGREEMENT

Reference is made to the Company's announcement dated 16 November 2012 in which the Company and Geely Holding entered into the Lease Agreement pursuant to which the Group agreed to lease certain properties located in the PRC to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College for the three financial years ending 31 December 2015.

Upon completion of the Disposal, Shanghai Maple will be interested in 52% of the registered capital of Shanghai LTI. As such, Shanghai LTI will become a connected person of the Company upon completion of the Disposal for the purpose of the Listing Rules by virtue of the fact that Shanghai LTI will become an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 45.40% interest in the issued share capital of the Company as at the date of this announcement.

As the Group has existing lease arrangements with Shanghai LTI, on 5 February 2013, the Company entered into the Supplemental Lease Agreement to the Lease Agreement dated 16 November 2012 with Geely Holding and Zhejiang Automotive Vocational and Technical College pursuant to which the Group agreed to lease the Properties to the Geely Holding Group (including Shanghai LTI upon completion of Disposal) and Zhejiang Automotive Vocational and Technical College. Pursuant to the Supplemental Lease Agreement, the Company proposes to increase annual caps for the three years ending 31 December 2015 for the continuing connected transactions contemplated under the Lease Agreement.

LISTING RULES IMPLICATIONS

Each of Shanghai Maple, Geely Holding and Zhejiang Automotive Vocational and Technical College is and Shanghai LTI (being a member of Geely Holding Group upon completion of the Disposal) will be a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that each of them is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 45.40% interest in the issued share capital of the Company as at the date of this announcement.

Accordingly, the Agreement constitutes a connected transaction for the Company and the Supplemental Lease Agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

The applicable percentage ratios of the revised annual caps for the three years ending 31 December 2015 under the Supplemental Lease Agreement are less than 5% on an annual basis, the continuing connected transactions contemplated under the Supplemental Lease Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 5 February 2013

Parties: Luck Empire (as the vendor); and
Shanghai Maple (as the purchaser)

Shanghai Maple is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai Maple is an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 45.40% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Luck Empire conditionally agrees to dispose of a 51% interest in the registered capital of Shanghai LTI to Shanghai Maple.

Upon completion of the Disposal, the Company will not have any interest in the registered capital of Shanghai LTI, and Shanghai LTI will cease to be a subsidiary of the Company and its accounts will cease to be consolidated with the financial statements of the Group.

Consideration: Shanghai Maple conditionally agrees to acquire the 51% interest in the registered capital of Shanghai LTI from Luck Empire at a consideration of RMB173,350,000 (equivalent to approximately HK\$215,023,000), which was determined after arms' length negotiations between Luck Empire and Shanghai Maple and is based on the unaudited net asset value of Shanghai LTI of approximately RMB339,901,000 (equivalent to approximately HK\$421,614,000) as at 31 December 2012.

Pursuant to the terms of the Agreement, 30% of the consideration, being RMB52,005,000 (equivalent to approximately HK\$64,507,000), will be payable by Shanghai Maple to Luck Empire within one month from the signing of the Agreement. The remaining 70% of the consideration, being RMB121,345,000 (equivalent to approximately HK\$150,516,000), will be payable by Shanghai Maple to Luck Empire immediately upon completion of the Disposal.

Conditions precedent:

Completion of the Agreement is conditional upon the fulfillment of the following conditions precedent:

- (i) any relevant interested third parties, including any relevant departments of the PRC government, having irrevocably and unconditionally approved the transactions contemplated under the Agreement and any required filings;
- (ii) the relevant departments of the foreign-invested enterprise administration having irrevocably and unconditionally approved the registration of the change in Shanghai LTI's shareholding structure;
- (iii) Shanghai LTI having been issued a new foreign investment certificate and business license; and
- (iv) the representations and warranties provided in relation to the Disposal remaining true and accurate in all material aspects at completion.

Completion:

Completion of the Agreement will take place on the third Business Day following the date on which the above conditions are fulfilled (or such other date as the parties to the Agreement may agree).

If the above conditions are not satisfied or waived by 28 February 2013 (or such later date as the parties may agree in writing), the Agreement will terminate and none of the parties to the Agreement will have any claim or liability thereunder to the other party to the Agreement.

FINANCIAL EFFECTS OF THE DISPOSAL

The unaudited net assets of Shanghai LTI as at 31 December 2012 prepared in accordance with the generally accepted accounting principles in the PRC ("PRC GAAPs") were approximately RMB339,901,000 (equivalent to approximately HK\$421,614,000). The audited net assets of Shanghai LTI as at 31 December 2011 prepared in accordance with PRC GAAPs were approximately RMB355,222,000 (equivalent to approximately HK\$440,617,000).

The unaudited net loss before and after tax and extraordinary items attributable to Shanghai LTI for the year ended 31 December 2012 prepared in accordance with PRC GAAPs were approximately RMB15,320,000 (equivalent to approximately HK\$19,003,000). The audited net loss before and after tax and extraordinary items for the year ended 31 December 2011 prepared in accordance with PRC GAAPs were approximately RMB20,845,000 (equivalent to approximately HK\$25,856,000).

Subject to final audit, the Disposal is not expected to result in any gain or loss before tax (if any) to the Group, as the consideration for the Disposal was determined based on the disposal interest of 51% times the unaudited net asset value of Shanghai LTI of RMB339,901,000 (equivalent to approximately HK\$421,614,000) as at 31 December 2012. It is currently intended that the proceeds from the Disposal will be used as working capital of the Group.

As stated in the Company's announcement dated 16 November 2012, the Company entered into the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement on 27 November 2009. As the Group will cease its operation in the Taxi Business upon completion of the Disposal, the continuing connected transactions contemplated under both the Imported Parts Purchase Agreement and the Shanghai LTI Supply and Purchase Agreement will be terminated.

REASONS AND BENEFITS FOR 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.

Shanghai LTI, an indirectly 51%-owned subsidiary of the Company, is a company principally engaged in the research, development, production, and sales of automobiles, including taxis, and related automobile components in the PRC.

In view of Shanghai LTI consecutively recording operating losses since its date of incorporation and the Group would like to focus on its core business of manufacturing sedans as opposed to the Taxi Business which the Board is of the view that it may not be able to generate lucrative returns to the Shareholders in the short-run, the Board considers that the Disposal would enable the Group to shift its focus back to its core business and realize cash of RMB173,350,000 (equivalent to approximately HK\$215,023,000) before taxes (if any) and expenses from the disposal of an under-performing subsidiary.

Moreover, Geely Holding recently reached an agreement with the administrator of Manganese Bronze to acquire certain assets of Manganese Bronze. Accordingly, Geely Holding will hold assets in the taxi manufacturing segment. In this connection, the Disposal could avoid competition from Geely Holding.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement, which have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Li is considered to have a material interest in the Disposal by virtue of his interest in Shanghai Maple and he has abstained from voting on the Board resolution for approving the Agreement.

(2) THE SUPPLEMENTAL LEASE AGREEMENT

Reference is made to the Company's announcement dated 16 November 2012 in which the Company and Geely Holding entered into the Lease Agreement pursuant to which the Group agreed to lease certain properties located in the PRC to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College for the three financial years ending 31 December 2015.

On 5 February 2013, the Company entered into the Supplemental Lease Agreement to the Lease Agreement dated 16 November 2012 with Geely Holding and Zhejiang Automotive Vocational and Technical College pursuant to which the Group agreed to lease the Properties to the Geely Holding Group (including Shanghai LTI upon completion of Disposal) and Zhejiang Automotive Vocational and Technical College. The principal terms of the Supplemental Lease Agreement are set out below:

Date: 5 February 2013

Parties: The Company;
Geely Holding; and
Zhejiang Automotive Vocational and Technical College

Upon completion of the Disposal, Shanghai Maple will be interested in 52% of the registered capital of Shanghai LTI and Shanghai LTI will become a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai LTI will become an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 45.40% interest in the issued share capital of the Company as at the date of this announcement.

Subject matter: Pursuant to the Supplemental Lease Agreement, the Company will increase the annual caps for the three years ending 31 December 2015 for the lease and add a new property to the list of properties under the Lease Agreement.

Pricing basis: The rent payable under the Lease Agreement was determined with reference to the prevailing market rate.

Term: For the three years ending 31 December 2015.

Save for the increase in the annual caps for the three years ending 31 December 2015 and the addition of a new property to the list of properties under the Lease Agreement, the other terms of the Lease Agreement remain unchanged.

Historical transaction amounts and proposed annual caps

The Company and Geely Holding entered into the Lease Agreement on 16 November 2012 pursuant to which the Company agreed to lease certain properties located in the PRC to the Geely Holding Group and Zhejiang Automotive Vocational and Technical College for the three financial years ending 31 December 2015.

Upon completion of the Disposal, Shanghai Maple will be interested in 52% of the registered capital of Shanghai LTI, and Shanghai LTI will become a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Shanghai LTI will become an associate of Mr. Li, an executive Director and a substantial Shareholder holding approximately 45.40% interest in the issued share capital of the Company as at the date of this announcement.

As the Group has existing lease arrangements with Shanghai LTI, on 5 February 2013, the Company entered into the Supplemental Lease Agreement to the Lease Agreement dated 16 November 2012 with Geely Holding and Zhejiang Automotive Vocational and Technical College pursuant to which the Group agreed to lease the Properties to the Geely Holding Group (including Shanghai LTI upon completion of Disposal) and Zhejiang Automotive Vocational and Technical College.

Pursuant to the Listing Rules, the table below sets out the historical transaction amounts for the year ended 31 December 2011 and the nine months ended 30 September 2012, and the original and revised annual caps for the rent payable by the Geely Holding Group (including Shanghai LTI upon completion of the Disposal) and Zhejiang Automotive Vocational and Technical College to the Group for the three years ending 31 December 2015:

	Historical transaction amount for the year ended	Historical transaction amount for the nine months ended	Estimated Annual caps for the year ending 31 December		
	31 December 2011	30 September 2012	2013	2014	2015
	(Audited)	(Unaudited)			
	'000	'000	'000	'000	'000
Rent payable by the Geely Holding Group and Zhejiang Automotive Vocational and Technical College	RMB9,215 (equivalent to approximately HK\$11,430)	RMB7,393 (equivalent to approximately HK\$9,170)	N/A	N/A	N/A
Approved annual cap amount for the two financial years ended 31 December 2012	RMB10,194 (equivalent to approximately HK\$12,645)	RMB10,194 (equivalent to approximately HK\$12,645)	N/A	N/A	N/A

	Historical transaction amount for the year ended 31 December 2011 <i>(Audited)</i> '000	Historical transaction amount for the nine months ended 30 September 2012 <i>(Unaudited)</i> '000	Estimated Annual caps for the year ending 31 December		
			2013 '000	2014 '000	2015 '000
Original annual cap amount for the three financial years ending 31 December 2015 as set out in the Lease Agreement	N/A	N/A	RMB8,742 (equivalent to approximately HK\$10,844)	RMB8,127 (equivalent to approximately HK\$10,081)	RMB8,127 (equivalent to approximately HK\$10,081)
Revised annual cap amount for the three financial years ending 31 December 2015 as set out in the Supplemental Lease Agreement	N/A	N/A	RMB13,328 (equivalent to approximately HK\$16,532)	RMB12,713 (equivalent to approximately HK\$15,769)	RMB12,713 (equivalent to approximately HK\$15,769)

The above revised annual caps for the rent payable by the Geely Holding Group (including Shanghai LTI upon completion of the Disposal) and Zhejiang Automotive Vocational and Technical College to the Group have been determined by the parties with reference to the rental charge for adjacent lands and buildings in the local property market and the imported molding equipment situated in the Group's premises for certain process manufacturing services. The Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Lease Agreement, including the revised annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL LEASE AGREEMENT

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Supplemental Lease Agreement are beneficial to the Group as it can provide an additional source of stable recurring income from the surplus lands and buildings of the Group.

Mr. Li is considered to have a material interest in the continuing connected transactions contemplated under the Supplemental Lease Agreement by virtue of the fact that each of Geely Holding and Zhejiang Automotive Vocational and Technical College is an associate of Mr. Li, an executive Director and a substantial Shareholder. Mr. Li has abstained from voting on the Board resolution for approving the revised annual caps contemplated under the Supplemental Lease Agreement.

INFORMATION ON THE PARTIES

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.

Luck Empire is principally engaged in investment holding.

Shanghai Maple is principally engaged in manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts.

Shanghai LTI is a limited liability company incorporated in the PRC in March 2007 and indirectly owned as to 51% by the Company as at the date of this announcement. Shanghai LTI is principally engaged in the research, development, production, and sales of automobiles, including taxis, and related automobile components in the PRC.

Zhejiang Automotive Vocational and Technical College is principally engaged in the provision of education-related services.

LISTING RULES IMPLICATIONS

Each of Shanghai Maple, Geely Holding Group and Zhejiang Automotive Vocational and Technical College is an associate of Mr. Li and is a connected person of the Company. Shanghai LTI will become a member of Geely Holding Group upon completion of the Disposal and will become a connected person of the Company for the purpose of the Listing Rules.

Accordingly, the Agreement constitutes a connected transaction for the Company and the Supplemental Lease Agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

The applicable percentage ratios of the revised annual caps for the three years ending 31 December 2015 under the Supplemental Lease Agreement are less than 5% on an annual basis, the continuing connected transactions contemplated under the Supplemental Lease Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 5 February 2013 between Luck Empire and Shanghai Maple in relation to the transfer by Luck Empire of a 51% interest in the registered capital of Shanghai LTI to Shanghai Maple at a consideration of RMB173,350,000 (equivalent to approximately HK\$215,023,000)
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“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
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% of the registered capital of Shanghai LTI pursuant to the terms of the 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 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
“Imported Parts Purchase Agreement”	the agreement dated 27 November 2009 between Shanghai Maple Auto Sales and Shanghai Maple as referred to under the subsection headed “(I) Imported Parts Purchase Agreement” of the section headed “Exempted Continuing Connected Transactions” of the Company’s announcement dated 16 November 2012

“Independent Shareholders”	Shareholder(s) other than Mr. Li and his associates
“Lease Agreement”	the agreement dated 16 November 2012 between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College as referred to under the subsection headed “(III) Lease Agreement” of the section headed “Exempted Continuing Connected Transactions” of the Company’s announcement dated 16 November 2012
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luck Empire”	Luck Empire Investment Limited, a limited liability company incorporated in Hong Kong and indirectly wholly owned by the Company
“Manganese Bronze”	Manganese Bronze Holdings plc, a limited liability company incorporated in the United Kingdom which is an indirectly 19.97% owned associate of the Company, and was put under administration on 30 October 2012
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial shareholder holding 45.40% 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, the Macao Special Administrative Region and Taiwan)
“Properties”	collectively, (i) the office premises with a total area of approximately 5,481.73 sq. m. located in Linhai City, Zhejiang Province, the PRC; and (ii) the buildings and various ancillary structures with a total area of approximately 96,036 sq. m. located in Luqiao, Taizhou City, Zhejiang Province, the PRC; (iii) the research building and the factory premises with a total area of approximately 21,105 sq. m. located in Luqiao, Taizhou City, Zhejiang Province, the PRC; (iv) the factory premises with a total area of approximately 12,586 sq. m. located in Ningbo City, Zhejiang Province, the PRC; (v) the buildings and various ancillary structures with a total area of approximately 99,419 sq. m. located in Ningbo City, Zhejiang Province, the PRC; (vi) the factory premises with a total area of approximately 8,580 sq. m. located in Lanzhou City, Gansu Province, the PRC; (vii) the factory premises with a total area of approximately 5,760 sq. m. located in Ningbo City, Zhejiang Province, the PRC; and (viii) the office and factory premises with a total area of approximately 78,911 sq. m. located in Shanghai, the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	holders of shares of the Company
“Shanghai LTI”	上海英倫帝華汽車部件有限公司 (Shanghai LTI Automobile Components Company Limited), a limited liability company incorporated in the PRC and indirectly owned as to 51% by the Company as at the date of this announcement
“Shanghai LTI Supply and Purchase Agreement”	the agreement dated 27 November 2009 between Shanghai LTI and Shanghai Maple as referred to under the subsection headed “(II) Shanghai LTI Supply and Purchase Agreement” of the section headed “Exempted Continuing Connected Transactions” of the Company’s announcement dated 16 November 2012
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a limited liability company incorporated in the PRC and is owned as to 90.00% by Geely Holding and as to 10.00% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Company Limited), respectively, which is in turn wholly-owned by Mr. Li and his associates. It is principally engaged in the manufacturing and sales of automobiles and related components, and manufacturing of air-conditioning related parts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Agreement”	the agreement dated 5 February 2013 between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College as referred to under the subsection headed “(2) The Supplemental Lease Agreement” above
“Taxi Business”	the manufacturing and distribution of London taxis
“Zhejiang Automotive Vocational and Technical College”	浙江汽車職業技術學院 (Zhejiang Automotive Vocational and Technical College), a private vocational and technical college established in the PRC, located at (Cao Jia Road) Cheng Dong Geely Education Centre, Linhai City, Zhejiang Province, the PRC (中國浙江省臨海市城東吉利教育中心(曹家路)) and beneficially owned as to 100% by Mr. Li and his associates
“sq. m.”	square meter
“%”	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:

$$RMB1 = HK\$1.2404$$

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, 5 February 2013

As at the date of this announcement, the executive Directors 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. Li Dong Hui, Daniel, Mr. Liu Jin Liang, Dr. Zhao Fuquan and Ms. Wei Mei; the non-executive Director is Mr. Carl Peter Edmund Moriz Forster; and the independent non-executive Directors are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang.