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Geely acquires stake for RM460mil

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Strategic partnership with China firm will turn Proton around, says Najib

By GANESHWARAN KANA
ganeswaran@thestar.com.my

KUALA LUMPUR: DRB-Hicom Bhd and Zhejiang Geely Holdings Group have inked a definitive agreement under which the latter will acquire a 49.9% stake in the national car manufacturer for RM460.3mil.

Of the sum, RM170mil will be paid via a cash injection, with the remaining RM290mil as a transfer of Geely's Boyue sports utility vehicle (SUV) platform to Proton.

The popular Boyue is expected to be used as a base for Proton's first-ever SUV model.

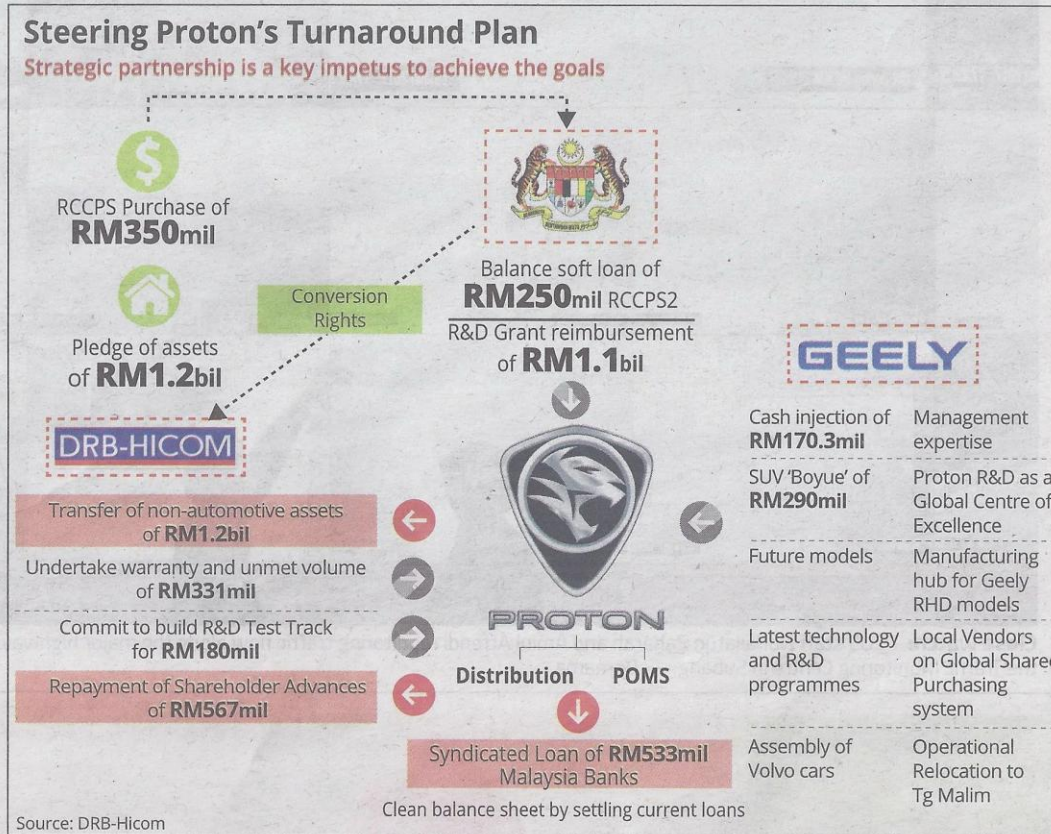
In the first five months of this year alone, 103,000 units of Boyue were sold in China.

Prime Minister Datuk Seri Najib Tun Razak, who witnessed the signing, said the agreement cements a strategic partnership between the two companies.

"With this strategic partnership, Proton will have the ability and resources to turn itself around and become an example of Malaysian success," said Najib.

"The reality had dawned on almost everyone, namely that the business model was and had always been unsustainable in the long run. For far too long the unrealistic dreams and lack of commercial understanding of its former chief tester had been indulged.

"He (the former chief tester) would still prefer Proton to be 100% Malaysian owned and lose hundreds of millions of ringgit a year. But that is the people's money and it would have been irresponsible for us to continue with a business model that was never going to succeed.



the remaining RM250mil expected to be released now that the agreement has been signed.

DRB-Hicom group managing director Datuk Seri Syed Faisal Albar said the 49.9% acquisition by Zhejiang Geely, which also owns Sweden's Volvo Cars, London Taxi Company, Lynk & Co and the Geely Auto portfolio of car brands, will only be completed upon receiving regulatory approvals from the relevant authorities.

"With Zhejiang Geely making Proton its right-hand-drive hub for the Asean region, Proton can now target the immense Asean passenger car market for both our models and Geely's.

"Proton's status as Malaysia's national car is secure, and DRB-Hicom remains a majority shareholder. Proton will now focus on gaining domestic market share," Syed Faisal said.

He also pointed out that, following the signing of the agreement, Proton will settle its RM533mil syndicated loan from a number of Malaysian banks.

Geely was selected as DRB-Hicom's strategic partner following an intensive vetting process.

DRB-Hicom initially identified 23 global automotive players, 15 of which were invited to submit proposals to become Proton's strategic partner. Following careful vetting, five companies were shortlisted before Zhejiang Geely was finally chosen.

The need to acquire a strategic partner was one of the conditions imposed on Proton by the Government for the approval of a RM1.5bil soft loan to the company, with the bulk of the money used to pay its vendors.

To date, a total of RM1.25bil was released by the Government, with

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