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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited



CIMB Securities (HK) Limited

On 21 January 2011, the Group entered into the following agreements:

(a) the Ningbo Vision Agreement

an equity transfer agreement between Zhejiang Geely, Geely Merrie and Geely Holding pursuant to which Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Ningbo Vision to Zhejiang Geely for a consideration of RMB437,342,000 (equivalent to approximately HK\$514,520,000);

(b) the Shandong Geely Agreement

an equity transfer agreement between Jinan Geely, Geely Merrie and Geely Holding pursuant to which Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Shandong Geely to Jinan Geely for a consideration of RMB20,000,000 (equivalent to approximately HK\$23,529,000);

(c) the Land Acquisition Agreement

a sales and purchase agreement between the Group and Geely Holding Group pursuant to which the Group agrees to purchase and Geely Holding Group agrees to sell the land use right of the Land for a consideration of RMB24,208,000 (equivalent to approximately HK\$28,481,000);

Each of Zhejiang Geely and Jinan Geely is an indirect 91%-owned subsidiary of the Company. Upon completion of the Ningbo Vision Agreement and the Shandong Geely Agreement, each of Ningbo Vision and Shandong Geely will be indirectly owned as to 91% by the Group, and will be accounted for as an indirect non wholly-owned subsidiary of the Company.

Each of Geely Holding and Geely Merrie is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li has more than 30% interest in each of them and therefore, each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 50.41% interest in the issued share capital of the Company. Accordingly, the transactions contemplated under the Ningbo Vision Agreement, the Shandong Geely Agreement and the Land Acquisition Agreement constitute connected transactions of the Company pursuant to Rule 14A.13 of the Listing Rules. Under Chapter 14A of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) for i) the Ningbo Vision Agreement and the Shandong Geely Agreement in aggregate; and ii) the Land Acquisition Agreement exceed 1% but are less than 5%, the Connected Transactions are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under the Listing Rules. Mr. Li is considered to have a material interest in the Connected Transactions by virtue of his interests in Geely Holding and Geely Merrie, and has abstained from voting on the Board resolution for approving the transactions contemplated under the Agreements. Further, as the profits ratio for the Ningbo Vision Agreement and the Shandong Geely Agreement in aggregate exceed 5% but is less than 25%, the Ningbo Vision Acquisition and the Shandong Geely Acquisition in aggregate also constitute discloseable transactions for the Company and they are also subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

(I) THE NINGBO VISION AGREEMENT

Date: 21 January 2011

Parties: Zhejiang Geely, as the purchaser;
Geely Merrie and Geely Holding, as the vendors

Zhejiang Geely is an indirect 91%-owned subsidiary of the Company.

Each of Geely Merrie and Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li has more than 30% interest in each of them and therefore, each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 50.41% interest in the issued share capital of the Company.

Subject matter: Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Ningbo Vision to Zhejiang Geely.

Ningbo Vision was established in 2006 with a registered capital of RMB96,000,000 (equivalent to approximately HK\$112,941,000) and was owned as to 90% by Geely Merrie and as to 10% by Geely Holding, respectively.

Consideration:

An aggregate cash consideration of RMB437,342,000 (equivalent to approximately HK\$514,520,000), and will be payable as to:

- (a) RMB393,608,000 (equivalent to approximately HK\$463,068,000) to Geely Merrie; and
- (b) RMB43,734,000 (equivalent to approximately HK\$51,452,000) to Geely Holding

The consideration has been arrived at after arm's length negotiations between Zhejiang Geely, Geely Merrie and Geely Holding with reference to the net asset value of Ningbo Vision of RMB437,342,000 (representing approximately HK\$514,520,000) as at 31 December 2010. The consideration is payable in cash within two months after completion of the Ningbo Vision Agreement, and the Group intends to finance the acquisition out of its internal resources.

As the consideration for the Ningbo Vision Acquisition is based on the net asset value of Ningbo Vision as at 31 December 2010, the Directors consider that the terms of the Ningbo Vision Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent for the Ningbo Vision Agreement

Completion of the Ningbo Vision Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted for filing the transfers contemplated under the Ningbo Vision Agreement pursuant to the applicable laws and regulations;
- (b) the change in shareholding arrangements in Ningbo Vision has been registered with the relevant State Administration for Industry and Commerce with jurisdiction over Ningbo Vision;
- (c) Ningbo Vision being issued with the new corporate business license;
- (d) the approval of the transaction contemplated under the Ningbo Vision Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);

- (e) the approval of the independent shareholders of the Company in general meeting for the transaction contemplated under the Ningbo Vision Agreement, if required; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Zhejiang Geely may at any time waive condition (f) by written notice to Geely Merrie or Geely Holding before completion of the Ningbo Vision Agreement.

If the above conditions are not satisfied or waived by 31 March 2011 (or such later date as the parties may agree in writing), the Ningbo Vision Agreement shall terminate and none of the parties to the Ningbo Vision Agreement shall have any claim or liability hereunder to the other party to the Ningbo Vision Agreement.

(II) THE SHANDONG GEELY AGREEMENT

Date: 21 January 2011

Parties: Jinan Geely, as the purchaser;
Geely Merrie and Geely Holding, as the vendors

Jinan Geely is 90% owned by Zhejiang Geely and 10% owned by Shanghai Maple Guorun respectively, and is an indirect 91%-owned subsidiary of the Company.

Each of Geely Merrie and Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li has more than 30% interest in each of them and therefore, each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 50.41% interest in the issued share capital of the Company.

Subject matter: Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Shandong Geely to Jinan Geely.

Shandong Geely was established in 2009 with a registered capital of RMB20,000,000 (equivalent to approximately HK\$23,529,000) and was owned as to 90% by Zhejiang Geely Merrie and as to 10% by Geely Holding, respectively.

- Consideration:** An aggregate cash consideration of RMB20,000,000 (equivalent to approximately HK\$23,529,000), and will be payable as to:
- (c) RMB18,000,000 (equivalent to approximately HK\$21,176,000) to Geely Merrie; and
 - (d) RMB2,000,000 (equivalent to approximately HK\$2,353,000) to Geely Holding

The consideration has been arrived at after arm's length negotiations between Jinan Geely, Geely Merrie and Geely Holding with reference to the net asset value of Shandong Geely of RMB20,000,000 (representing approximately HK\$23,529,000) as at 31 December 2010. The consideration is payable in cash within two months after completion of the Shandong Geely Agreement, and the Group intends to finance the acquisition out of its internal resources.

As the consideration for the Shandong Geely Acquisition is based on the net asset value of Shandong Geely as at 31 December 2010, the Directors consider that the terms of the Shandong Geely Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent for the Shandong Geely Agreement

Completion of the Shandong Geely Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) the PRC government or the appropriate authorised state agency having irrevocably or unconditionally approved or accepted for filing the transfers contemplated under the Shandong Geely Agreement pursuant to the applicable laws and regulations;
- (b) the change in shareholding arrangements in Shandong Geely has been registered with the relevant State Administration for Industry and Commerce with jurisdiction over Shandong Geely;
- (c) Shandong Geely being issued with the new corporate business license;
- (d) the approval of the transaction contemplated under the Shandong Geely Agreement by all other relevant government authorities and third parties (such as the relevant commercial lender, etc.);

- (e) the approval of the independent shareholders of the Company in general meeting for the transaction contemplated under the Shandong Geely Agreement, if required; and
- (f) the representations and warranties remaining true and accurate in all material aspects.

Jinan Geely may at any time waive condition (f) by written notice to Geely Merrie or Geely Holding before completion of the Shandong Geely Agreement.

If the above conditions are not satisfied by 31 March 2011 (or such later date as the parties may agree in writing), the Shandong Geely Agreement shall terminate and none of the parties to the Shandong Geely Agreement shall have any claim or liability hereunder to the other party to the Shandong Geely Agreement.

Each of Zhejiang Geely and Jinan Geely is an indirect 91%-owned subsidiary of the Company. Upon completion of the Ningbo Vision Agreement and the Shandong Geely Agreement, each of Ningbo Vision and Shandong Geely will be indirectly owned as to 91% by the Group, and will be accounted for as an indirect non wholly-owned subsidiary of the Company.

(III) THE LAND ACQUISITION AGREEMENT

Date: 21 January 2011

Parties: The Group, as the purchaser;
Geely Holding Group, as the vendor

Geely Holding is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li has more than 30% interest in Geely Holding and therefore, Geely Holding is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 50.41% interest in the issued share capital of the Company.

Subject matter: Geely Holding Group conditionally agrees to transfer the land use right of the Land to the Group.

The Land is for industrial use and has a term of 43.5 years expiring in 2054.

The Land is currently leased to the Group at zero cost. No profit was attributable to the Land for the two financial years ended 31 December 2008 and 2009.

Consideration: RMB24,208,000 (equivalent to approximately HK\$28,481,000)

The consideration has been arrived at after arm's length negotiations between the Group and Geely Holding Group with reference to the net book value of the Land as at 31 December 2010 as shown in the unaudited management accounts prepared in accordance with the PRC GAAPs plus relevant PRC taxes totaling RMB24,208,000 (equivalent to approximately HK\$28,481,000). The consideration will be satisfied in cash by the Group out of its internal resources.

The original acquisition cost of the Land by Geely Holding Group was RMB23,019,000 (equivalent to approximately HK\$27,081,000) in 2009.

As the consideration for the acquisition of the Land is lower than the appraised value of RMB25,063,000 (equivalent to approximately HK\$29,487,000) of the Land as at 31 December 2010 carried out by the independent valuer, using the method of benchmark land price coefficient revision (基準地價係數修正法) and cost approach method (成本逼近法), the Directors consider that the terms of the Land Acquisition Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent for the Land Acquisition Agreement

Completion of the Land Acquisition Agreement is conditional upon the approval of the independent shareholders of the Company in general meeting for the transaction contemplated under Land Acquisition Agreement (if required); and the compliance with relevant regulatory requirement as a connected transaction under the Listing Rules.

FINANCIAL INFORMATION ON NINGBO VISION AND SHANDONG GEELY

The unaudited financial information of Ningbo Vision for the financial year ended 31 December 2010 and the audited financial information for the financial year ended 31 December 2009 prepared in accordance with the PRC GAAPs are set out below:

	For the year ended 31 December 2010 (RMB)	For the year ended 31 December 2009 (RMB)
Profit before taxation and extraordinary items	259,483,000 (Approximately HK\$305,274,000)	81,859,000 (Approximately HK\$96,305,000)
Profit after taxation and extraordinary items	259,483,000 (Approximately HK\$305,274,000)	81,859,000 (Approximately HK\$96,305,000)

	As at 31 December 2010 (RMB)	As at 31 December 2009 (RMB)
Net asset value	437,342,000 (Approximately HK\$514,520,000)	131,858,000 (Approximately HK\$155,127,000)

Shandong Geely is incorporated on 26 December 2009 and accordingly its audited financial statements are not available at the date of this announcement. The unaudited financial information of Shandong Geely for the period from its date of incorporation to 31 December 2010 prepared in accordance with the PRC GAAPs is set out below:

	Period from 26 December 2009 (date of incorporation) to 31 December 2010 (RMB)
Profit before taxation and extraordinary items	Nil (Approximately HK\$Nil)
Profit after taxation and extraordinary items	Nil (Approximately HK\$Nil)
	As at 31 December 2010 (RMB)
Net asset value	20,000,000 (Approximately HK\$23,529,000)

REASONS FOR AND BENEFITS OF ENTERING INTO THE 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. Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

The Group expects its current automobile manufacturing capacity for certain models will be saturated due to the Group's expansion of its business. To cope with strong market demand especially for certain models of the Group and taking into account the current manufacturing capacity of the Group for these models, there is a need for the Group to develop new manufacturing plants and facilities so as to meet its manufacturing and sales requirements in the future. Ningbo Vision is principally engaged in research, development, production, marketing and sales of sedans and related automobile components in the PRC and its facility can easily be adopted by the Group for the manufacturing of the required models.

In addition, it is strategically located at close proximity to various automobile parts and components companies, Ningbo Vision is well positioned to meet the shortage of current manufacturing capacity of the Group.

Shandong Geely is incorporated in December 2009 and is set up for the purpose of engaging in the research, manufacturing and sale of automatic automobile transmission devices. With the Company's development in new models and upgrades on technology know-how, there will be increasing application of and hence increasing demand for automatic transmission devices for different models of cars. The Shandong Geely Acquisition is expected to bring in synergies to various existing manufacturing lines of the Group, as well as to broaden the revenue base by the sales of automatic transmission devices to other vehicle manufacturers in the PRC.

In relation to the acquisition of Land, as the Group would need additional land for the construction of plant, equipment and car park for some of the newly established companies of the Group, taking into account the appraised value of the Land as referred to in the valuation, the Directors consider that the acquisition contemplated under the Land Acquisition Agreement provides a good opportunity for the Group to acquire additional land at a reasonable price and continue its construction of facilities for the business.

Given the above, the Directors consider that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of Geely Holding and Geely Merrie is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Mr. Li has more than 30% interest in each of them and therefore, each of them is an associate of Mr. Li, an executive Director and a substantial shareholder holding approximately 50.41% interest in the issued share capital of the Company. Accordingly, the transactions contemplated under the Ningbo Vision Agreement, the Shandong Geely Agreement and the Land Acquisition Agreement constitute connected transactions of the Company pursuant to Rule 14A.13 of the Listing Rules. Under Chapter 14A of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) for i) the Ningbo Vision Agreement and the Shandong Geely Agreement in aggregate and; ii) the Land Acquisition Agreement exceed 1% but are less than 5%, the Connected Transactions are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under the Listing Rules. Mr. Li is considered to have a material interest in the Connected Transactions by virtue of his interests in Geely Holding and Geely Merrie, and has abstained from voting on the Board resolution for approving the transactions contemplated under the Agreements. Further, as the profits ratio for the Ningbo Vision Agreement and the Shandong Geely Agreement in aggregate exceed 5% but is less than 25%, the Ningbo Vision Acquisition and the Shandong Geely Acquisition in aggregate also constitute discloseable transactions for the Company and they are also subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreements”	together, the Ningbo Vision Agreement, the Shandong Geely Agreement and the Land Acquisition Agreement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“Connected Transactions”	collectively, the transactions contemplated under the Ningbo Vision Agreement, the Shandong Geely Agreement and the Land Acquisition Agreement
“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 as at the date of this announcement; Geely Holding and its subsidiaries are principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses
“Geely Holding Group”	the Geely Holding and its subsidiaries
“Geely Merrie”	浙江吉利美日汽車有限公司 (Zhejiang Geely Merrie 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 owned by the senior management of Geely Holding as at the date of this announcement; Geely Merrie is principally engaged in the manufacturing and sales of automobile and related components, and manufacturing of air-conditioning related parts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinan Geely”	濟南吉利汽車零部件有限公司 (Jinan Geely Automobile Parts and Components Company Limited), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company as at the date of this announcement; Jinan Geely is principally engaging in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Land”	a parcel of land located at Min Yue Cun & Le Tang Cun, Jiuhua Industrial Park, Xiangshui Village, Xiangtan City, Hunan Province, the PRC (中國湖南省湘潭市響水鄉九華工業園民樂村及樂塘村), comprising a total area of 122,856 square meters
“Land Acquisition Agreement”	a sales and purchase agreement dated 21 January 2011 entered into between the Group and Geely Holding Group pursuant to which Geely Holding Group conditionally agrees to transfer the land use right of the Land to the Group
“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 50.41% interest in the issued share capital of the Company as at the date of this announcement
“Ningbo Vision”	寧波遠景汽車零部件有限公司 (Ningbo Vision Automobile Parts and Components Company Limited), a limited liability company incorporated in the PRC and is owned as to 90% by Geely Merrie and 10% by Geely Holding; Ningbo Vision is principally engaged in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Ningbo Vision Acquisition”	the transactions contemplated under the Ningbo Vision Agreement
“Ningbo Vision Agreement”	the equity transfer agreement dated 21 January 2011 entered into between Zhejiang Geely, Geely Merrie and Geely Holding pursuant to which Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Ningbo Vision to Zhejiang Geely

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“PRC GAAPs”	PRC generally accepted accounting principles
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Geely”	山東吉利變速器有限公司 (Shandong Geely Gearbox Company Limited), a limited liability company incorporated in the PRC and is owned as to 90% by Geely Merrie and 10% by Geely Holding; Shandong Geely is incorporated in December 2009 and is set up for the purpose of engaging in the research, manufacturing and sale of automatic transmission devices for automobiles in the PRC
“Shandong Geely Acquisition”	the transactions contemplated under the Shandong Geely Agreement
“Shandong Geely Agreement”	the equity transfer agreement dated 21 January 2011 entered into between Jinan Geely, Geely Merrie and Geely Holding pursuant to which Geely Merrie and Geely Holding conditionally agree to respectively transfer 90% and 10% interests in the registered capital of Shandong Geely to Jinan Geely
“Shareholders”	holders of shares of the Company
“Shanghai Maple Guorun”	上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited), a sino-foreign joint venture established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company as at the date of this announcement; Shanghai Maple Guorun is principally engaging in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited), a sino-foreign joint venture company established in the PRC with limited liability and is an indirect 91%-owned subsidiary of the Company as at the date of this announcement; Zhejiang Geely is principally engaging in the research, development, production, marketing and sales of sedans and related automobile components in the PRC
“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:

$$RMB1 = HK\$1.1765$$

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, 21 January 2011

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. Yin Da Qing, Richard, Mr. Liu Jin Liang, Dr. Zhao Fuquan and Ms. Wei Mei, the non-executive Director of the Company is Mr. Wang Yang and the independent non-executive Directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex.