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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)

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION FOR NEW SHARES
AND
RESTORATION OF PUBLIC FLOAT**

Placing Agents

J.P.Morgan



MACQUARIE

(In alphabetical order)

Placing and Subscription

On 20 May 2009, the Vendor, the Company and the Placing Agents entered into the Placing and Subscription Agreement pursuant to which the Placing Agents have agreed to place, on a fully underwritten basis, 800,000,000 existing Shares at a price of HK\$1.35 per Share on behalf of the Vendor. The Placing Shares represent approximately 12.34% of the existing issued share capital of the Company and approximately 11.34% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Shares will be placed by the Placing Agents to more than six independent professional, institutional and/or individual investors who are or will be third parties independent of and not connected with the Company or its connected persons. The placees are not or will not be acting in concert with one another or with the Vendor or its associates. The Placing is conditional on certain termination events upon the occurrence of which the Placing will not proceed to completion unless waived by the Placing Agents.

Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for 570,000,000 new Shares at the Placing Price. The Subscription Shares represent approximately 8.78% of the existing issued share capital of the Company and approximately 8.07% of the issued share capital of the Company as enlarged by the Subscription.

The shareholding of the Vendor and parties acting in concert with it in the issued share capital of the Company will be reduced from approximately 57.98% to approximately 45.65% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 45.65% to approximately 50.04% upon completion of the Placing and the Subscription.

The Company will apply to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares. The Vendor will apply to the Executive Director of the Corporate Finance Division of the SFC for the waiver of its obligation, as a result of the Subscription, to make a general offer under Rule 26 of the Takeovers Code.

Completion of the Subscription is conditional upon:

- (1) completion of the Placing;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (3) the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from its obligation as a result of the Subscription to make a general offer under Rule 26 of the Takeovers Code.

The Placing and the Subscription are effected to enable the Company to raise funds. The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$750 million for existing and future acquisitions and as general working capital of the Group.

Restoration of Public Float

Following completion of the Placing and the Subscription, the issued share capital of the Company will be held as to 2,392,156,450 Shares by the public, representing approximately 33.89% of the issued share capital of the Company as enlarged by the Subscription. The public float of the Company will be restored and the Company will meet the minimum prescribed percentage of shares being held by public shareholders in accordance with Rule 8.08 of the Listing Rules.

As the Placing and Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

PLACING AND SUBSCRIPTION AGREEMENT

Date: 20 May 2009

Parties:

- (a) The Company;
- (b) The Vendor, Proper Glory Holding Inc., the controlling shareholder of the Company, which is owned as to 32% by Geely Group Limited, a company wholly-owned by Mr. Li Shu Fu, the Chairman and an executive Director, and as to 68% by Zhejiang Geely Holding Group Company Limited, a company owned as to 90% by Mr. Li Shu Fu and as to 10% by Mr. Li Xing Xing, the son of Mr. Li Shu Fu. As at the date of this announcement, the Vendor and its concert parties are interested in 3,762,759,000 Shares, representing approximately 57.98% of the existing issued share capital of the Company.
- (c) Placing Agents: In alphabetical order, J.P. Morgan Securities (Asia Pacific) Limited and Macquarie Capital Securities Limited. Each of the Placing Agents is independent of and not connected with the Company or any of its connected persons. Each of the Placing Agents is not acting in concert with each other or with the Vendor or parties acting in concert with the Vendor.

Number of Shares to be placed

800,000,000 existing Shares, representing approximately 12.34% of the existing issued share capital of the Company and about 11.34% of the issued share capital as enlarged by the Subscription.

Placing Price

The Placing Price is HK\$1.35 per Share and represents:

- (i) a discount of approximately 6.90% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange on 19 May 2009, the last full trading day prior to the release of this announcement; and
- (ii) a discount of approximately 1.03% to the average closing price of HK\$1.364 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 19 May 2009.

The Placing Price was determined after arm's length negotiation between the Vendor and the Placing Agents and the Directors (including the independent non-executive Directors) consider the Placing Price to be fair and reasonable under the current market conditions and is in the best interests of the Company and the Shareholders as a whole.

The costs of the Placing and the Subscription shall be shared between the Vendor and the Company on a 30:70 basis .

Rights

The Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the date of the Placing and Subscription Agreement, including the right to receive all dividends or other distributions declared, made or paid on or after the date of completion of the Placing.

Independence of the Placing Agents and the Placees

The Placing Shares will be placed by the Placing Agents to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

The Placing Agents and the placees to be procured by the Placing Agents are or will be, as the case may be, third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates. The placees are not or will not be acting in concert with one another or with the Vendor or its associates.

Termination Events

The obligation of the Placing Agents to proceed to completion of the Placing is conditional upon, amongst other conditions, the requirement that none of the following shall have occurred prior to 12:00 noon on the date of completion of the Placing:

- (a) there shall not be any material breach of any of the representations and warranties set out in the Placing and Subscription Agreement or any material breach of any other obligations of the Company or the Vendor which are required to be performed at or before the completion of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
- (c) the occurrence of any event, development or change or prospective change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or

- (e) there has been any such adverse change or prospective adverse change in the business or in the financial, operational or trading position of the Group as a whole which in the sole opinion of the relevant Placing Agent, is likely to prejudice materially the success of the Placing; or
- (f) a change or development involving a prospective change in taxation in Hong Kong, the People's Republic of China or the Cayman Islands or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
- (g) any material change or deterioration in the conditions of local, national or international securities market conditions or currency exchange rates or exchange controls which in the sole opinion of the relevant Placing Agent is or would be materially adverse to the success of the Placing; or makes it impracticable or inadvisable or inexpedient to proceed therewith, or
- (h) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing).

As the Placing and Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

Completion of the Placing

The parties expect that the Placing will be completed on 22 May 2009 (or such other date as the Vendor and the Placing Agents may agree in writing).

Undertakings

- (a) the Vendor undertakes to the Placing Agents that (except for the sale of the Placing Shares) from the date of the Placing and Subscription Agreement and on or prior to the date being 90 days after the date of the Placing and Subscription Agreement, it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, issue, sell, contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (excluding the Placing Shares but including the Subscription Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above. For the avoidance of doubt, the undertaking given by the Vendor under the Placing and Subscription Agreement shall not restrict the Vendor from acquiring further Shares in the Company.

- (b) the Company undertakes to the Placing Agents that (except for (i) the Subscription Shares to be allotted and issued to the Vendor pursuant to the Placing and Subscription Agreement and (ii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its articles of association or the exercise of all existing and future employee share options granted by the Company from time to time or on the exercise of any other rights existing at the date of the Placing and Subscription Agreement and (iii) further options granted under the Company's existing share option scheme) from the date hereof and on and prior to the date being 90 days after the date of the Placing and Subscription Agreement, it will not (without the prior written consent of the Placing Agents) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Subscription Shares

570,000,000 new Shares will be subscribed by the Vendor, representing approximately 8.78% of the existing issued share capital of the Company and approximately 8.07% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The subscription price per new Share is equivalent to the Placing Price of HK\$1.35 per Share. The Subscription Shares have a nominal value of HK\$11,400,000 and a market value of HK\$826.5 million, based on the closing price of HK\$1.45 on 19 May 2009, the last full trading day in the Shares prior to this announcement. The net price of the Subscription is HK\$1.315 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market conditions and are in the interest of the Company and the Shareholders as a whole.

General mandate to issue the Subscription Shares

The issue of the Subscription Shares will not be subject to Shareholders' approval and the Subscription Shares will be issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed in the general meeting held on 22 May 2008. Pursuant to such mandate, the Directors were granted authority to issue up to 1,040,216,690 Shares, representing 20% of the issued share capital of the Company as at 22 May 2008. The Company has not issued any Shares pursuant to such general mandate.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distributions after the date of completion of the Subscription.

Conditions of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (3) the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from its obligation as a result of the Subscription to make a general offer under Rule 26 of the Takeovers Code.

None of the conditions stated above can be waived. In the event that the conditions are not fulfilled on or before 3 June 2009 (or such later date as may be agreed between the parties) the Subscription will no longer take place and neither of the parties shall have any claim against the others for costs, damages, compensation or otherwise in respect of the Subscription.

Completion of the Subscription

Completion of the Subscription will take place on the next business day following the fulfillment of the above conditions or such other day as agreed by the Vendor and the Company. As the Subscription constitutes a connected transaction of the Company, if the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreement i.e. 3 June 2009, shareholders' approval will be required for the Subscription and the relevant provisions of the Listing Rules in relation to connected transaction will apply, unless otherwise waived by the Stock Exchange. Further announcement will be made if this occurs.

EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor and its concert parties	3,762,759,000	57.98	2,962,759,000	45.65	3,532,759,000	50.04
TOSCA fund and its associate	1,132,570,000	17.45	1,132,570,000	17.45	1,132,570,000	16.04
Directors	2,270,000	0.03	2,270,000	0.03	2,270,000	0.03
Placees	–	–	800,000,000	12.34	800,000,000	11.34
Other public Shareholders	1,592,156,450	24.53	1,592,156,450	24.53	1,592,156,450	22.55
Total	<u>6,489,755,450</u>	<u>100.00</u>	<u>6,489,755,450</u>	<u>100.00</u>	<u>7,059,755,450</u>	<u>100.00</u>

After completion of the Placing, the shareholding percentage of the Vendor and parties acting in concert with it will decrease from approximately 57.98% to approximately 45.65%. Immediately upon completion of the Subscription, the shareholding of the Vendor and the parties acting in concert with it in the Company will increase from approximately 45.65% to approximately 50.04%. As the Vendor and parties acting in concert with it have not held more than 50% of the voting rights in the Company for a continuous 12-month period immediately prior to the date of the Placing and Subscription Agreement, the lowest percentage shareholding of the Vendor together with its concert parties in the Company in the preceding 12 months is taken to be 45.65% for the purpose of the Takeovers Code. The Subscription will increase the interest of the Vendor and its concert parties in the Company by more than 2% and thereby triggering a mandatory offer obligation under Rule 26.1 of the Takeovers Code. The Vendor will apply to the Executive Director of the Corporate Finance Division of the SFC under Note 6 on dispensations from Rule 26 of the Takeovers Code for a waiver of its obligation, as a result of the Subscription, to make a general offer under Rule 26 of the Takeovers Code.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASON FOR THE PLACING AND THE SUBSCRIPTION

The Placing and Subscription is being undertaken to supplement the Group's funding of its expansion and growth plan. The directors of the Company consider the Placing and Subscription will provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

USE OF PROCEEDS OF THE SUBSCRIPTION

The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$750 million for existing and future acquisitions and as general working capital of the Group.

CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

The Company has not carried out any capital raising activities during the 12 months immediately preceding the date of this announcement.

RESTORATION OF PUBLIC FLOAT

Following completion of the Placing and the Subscription, the issued share capital of the Company will be held as to 2,392,156,450 Shares by the public, representing approximately 33.89% of the issued share capital of the Company as enlarged by the Subscription. The public float of the Company will be restored and the Company will meet the minimum prescribed percentage of shares being held by public shareholders in accordance with Rule 8.08 of the Listing Rules.

GENERAL

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

DEFINITIONS

“acting in concert”	has the meaning defined in the Takeovers Code
“associate”	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, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placement of 800,000,000 existing Shares to independent investors at the Placing Price
“Placing Agents”	In alphabetical order, J.P. Morgan Securities (Asia Pacific) Limited and Macquarie Capital Securities Limited. Each of the Placing Agents is independent of and not connected with the Company or any of its connected persons. Each of the Placing Agents is not acting in concert with each other or with the Vendor or parties acting in concert with the Vendor
“Placing and Subscription Agreement”	the placing and subscription agreement dated 20 May 2009 between the Company, the Vendor and the Placing Agents in respect of the Placing and the Subscription
“Placing Price”	the placing price of HK\$1.35 per Share
“Placing Shares”	800,000,000 existing Shares
“PRC”	the People’s Republic of China
“SFC”	The Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor
“Subscription Price”	the subscription price of HK\$1.35 per Share
“Subscription Shares”	570,000,000 new Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Vendor”

Proper Glory Holding Inc., a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by Mr. Li Shu Fu and his associates

By order of the Board of
Geely Automobile Holdings Limited
David Cheung
Company Secretary

Hong Kong, 20 May 2009

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, Mr. Zhao Jie and Dr. Zhao Fuquan, the non-executive director of the Company is Mr. Xu Gang and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.