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Geely may complete Volvo purchase by May

By Li Fangfang (China Daily)

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Geely workers work on the factory checkline. [File photo]

Zhejiang Geely Holdings, the parent company of carmaker Geely Automobile, aims to sign an agreement to buy Ford's Volvo unit by Feb 8 and complete the transaction in May, according to media reports yesterday.

The two sides are in final discussions over relevant legal documents, Yuan Xiaolin, Geely's spokesman for the Volvo deal, told Shanghai Securities News.

The report also quoted Yin Daqing, vice-president and chief financial officer of Geely, as saying the deal is likely to be signed before the Lunar New Year, which falls on Feb 14.

The Economic Observer newspaper said Geely and Ford have decided to sign the deal on Feb 8, and the deal value is likely to be lower than \$1.8 billion.

Under the deal, Geely will set up an international investment company in Beijing with registered capital of 8 to 9 billion yuan (\$1.2 to 1.3 billion) to obtain Volvo's assets. It will also establish a branch in Sweden, Volvo's headquarters, the report said.

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Geely would hold 80 percent stake in the investment company, while private funds and banking sources may hold the balance.

The Chinese company has promised to retain Volvo's brand and operations in Sweden after the transaction, including the headquarters, production facility and research center.

Geely will start producing Volvo cars at a new factory in Beijing, with an annual capacity of 300,000 units, the report said. It also plans to enhance its global annual output to 900,000 units within five years and make the Volvo brand profitable by 2011.

However, Geely refused to comment on the reports yesterday.

"The deal provides Geely both opportunities and challenges," said Zhang Xin, an auto analyst with Guotai Junan Securities. "Geely will benefit from the acquisition on a long-term basis. Volvo's assets and technologies will help Geely improve its competitive edge and lead in the world's biggest automobile market."