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GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 175)

INCREASED INVESTMENT IN AUTOMOBILE RELATED ASSETS AND RESUMPTION OF TRADING OF THE SHARES

The Board is pleased to announce that on 27th May, 2004, (1) Zhejiang Geely, an associated company of the Company, has entered into an agreement with Geely Holding pursuant to which Zhejiang Geely will acquire the interests held by Geely Holding in Zhejiang Haoqing; (2) Maple Guorun, an associated company of the Company, has entered into two agreements with Geely Holding pursuant to which Maple Guorun will acquire the interests held by Geely Holding in (a) Automobile Research and (b) Ningbo Engine; and (3) Zhejiang Geely has entered an agreement with Merrie on 27th May, 2004 pursuant to which Zhejiang Geely will acquire from Merrie the rights in the design for the CK-1 model of sedan. At completion of the acquisitions, Zhejiang Geely will be interested in 90% of the registered capital of Zhejiang Haoqing and the production and marketing rights of the CK-1 model of sedan, and Maple Guorun will be interested in 90% of the registered capital of Automobile Research and Ningbo Engine respectively.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 2:30 p.m. on Thursday, 27 May 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on Monday, 31st May 2004.

THE AGREEMENTS

(1) The Zhejiang Haoqing Agreement

Date: 27th May 2004

Parties: (a) Zhejiang Geely, an associated company of the Company
(b) Geely Holding

Nature of the Agreement:

Geely Holding will transfer its 90% interest in the registered capital of Zhejiang Haoqing to Zhejiang Geely for a cash consideration of RMB477,000,000, which is determined on the bases of the net assets value of Zhejiang Haoqing as at 30 April 2004. No Deposit will be paid.

Completion of the acquisition is conditional upon completion of the transfer procedures with the relevant PRC government authorities within 120 days from the date of the agreement. It is currently anticipated that completion will take place on or about 30th June, 2004. If the transfer procedures with the relevant PRC government authorities cannot be completed within 120 days, this agreement will lapse and will be of no further effect.

Business of Zhejiang Haoqing

Zhejiang Haoqing is engaged in the production of small family sedans. It owns a production facility located in Linhai, Taizhou, Zhejiang Province, the PRC comprising land of 444,848 square meters and plant facility of 221,235 square meters, a production line for automobile stamping, welding, paint dressing and overall assembly with single shift annual production capacity of 40,000 automobiles. It also has a second production facility located in Luqiao of Taizhou, Zhejiang Province, the PRC comprising land area of 484,533 square meters, a plant of 46,996 square meters, a second plant under construction of 68,314 square meters, a automobile stamping, welding, paint dressing and overall assembly production line with single shift annual production capacity of 60,000 automobiles. Zhejiang Haoqing has the right to use the land until 2052.

The Linhai plant has commenced production since 1998. The sedan model of Haoqing which has been launched and sold in the market recorded sales of 22,268 units in the first four months of 2004. The trucks “Urban Nanny” (都市保姆) and “Rural Nanny” (鄉村保姆) of the Haoqing series which will be launched to the market soon have been listed in the Public Notice Concerning Automobile Products of the PRC.

The Luqiao plant has commenced trial production in March 2004 and have recorded sales of 509 units .

The consideration was arrived at by the parties after arm’s length negotiation and the Directors consider that the consideration was fair and reasonable in the interests of Zhejiang Geely and its shareholders as a whole. The Directors consider that the acquisition will be beneficial to the Company, as it would increase the production capacity of Zhejiang Geely and expand its product range at the same time.

(2)(a) The Automobile Research Agreement

Date: 27th May 2004

Parties: (a) Maple Guorun, an associated company of the Company
(b) Geely Holding

Nature of the Agreement:

Geely Holding will transfer its 90% interest in the registered capital of Automobile Research to Maple Guorun for a cash consideration of RMB27,000,000, which is determined on the bases of the net assets value of Automobile Research as at 30 April 2004. No deposit will be paid.

Completion of the acquisition is conditional upon completion of the transfer procedures with the relevant PRC government authorities within 120 days from the date of the agreement. It is currently anticipated that completion will take place on or about 30th June, 2004. If the transfer procedures with the relevant PRC government authorities cannot be completed within 120 days, this agreement will lapse and will be of no further effect.

Business of Automobile Research

Automobile Research is engaged in the research and development of automobiles and their key parts and components. In the past, Automobile Research has developed sedan models such as Geely Haoqing, Geely Merrie, Geely Ulion, Maple Gale Wind, Maple M203, and sports car Mybo (Beauty Leopard) based on the advanced technology of overseas automobile manufacturers. Automobile Research has no registered patents. The current projects undertaken by Automobile Research include the CI-1 Model Project in cooperation with Italy and the CG-1 Model Project in cooperation with Germany. Automobile Research is also developing three brand new supreme class models and other standard class sedan product in collaboration with Daewoo International Corporation of Korea, Maggiora SPA-Auto of Italy and Ruecker AG of Germany.

The consideration was arrived at by the parties after arm's length negotiation and the Directors consider that the consideration was fair and reasonable in the interests of Maple Guorun and its shareholders as a whole. The Directors consider that the acquisition will be beneficial to the Company, as it would enhance the design capability of Maple Guorun.

(2)(b) The Ningbo Engine Agreement

Date: 27th May, 2004

Parties: (a) MapleGuorun, an associated company of the Company
(b) Geely Holding

Nature of the Agreement:

Geely Holding will transfer its 90% interest in the registered capital of Ningbo Engine to Maple Guorun for a cash consideration of RMB9,000,000, which is determined on the bases of the net assets value of Ningbo Engine as at 30 April 2004. No deposit will be paid.

Completion of the acquisition is conditional upon completion of the transfer procedures with the relevant PRC government authorities within 120 days from the date of the agreement. It is currently anticipated that completion will take place on or about 30th June, 2004. If the transfer procedures with the relevant PRC government authorities cannot be completed within 120 days, this agreement will lapse and will be of no further effect.

Business of Ningbo Engine

Ningbo Engine is engaged in the research and trial production of automobile engines. In the past, Ningbo Engine has successfully developed six engines with capacities from 0.993L to 1.762L. Currently, Ningbo Engine is engaged in the research and development of 2.01L and 2.4L engines and the continuous technological upgrading of engine products which have been put into industrial production.

The consideration was arrived at by the parties after arm's length negotiation and the Directors consider that the consideration was fair and reasonable in the interests of MapleGuorun and its shareholders as a whole. The Directors consider that the acquisition will be beneficial to the Company, as it would enhance the engine design capability of Maple Guorun.

(3) CK-1 Model Transfer Agreement

Date: 27th May, 2004.

Parties: (a) Zhejiang Geely, an associated company of the Company
(b) Merrie

Nature of the Agreement:

Merrie will transfer the rights in the design for the CK-1 Model of sedan to Zhejiang Geely for a cash consideration of RMB210,000,000, which is determined on the bases of the design and development costs of CK-1 Model as at 30 April 2004. There was no independent valuation and no deposit will be paid.

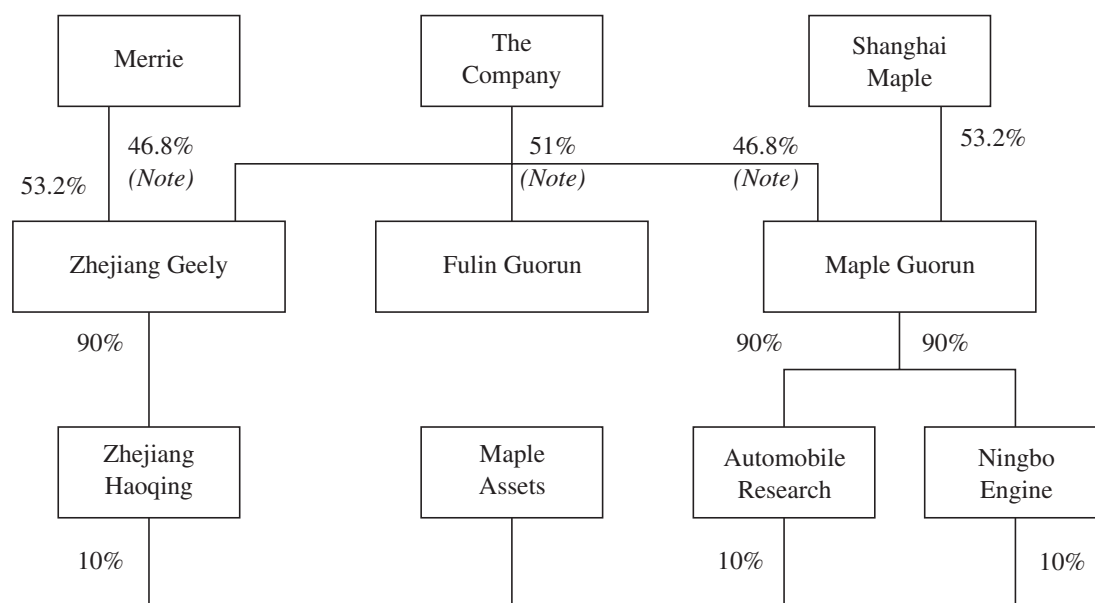
Completion of the acquisition is conditional upon completion of the transfer procedures with the relevant PRC government authorities within 120 days from the date of the agreement. It is anticipated that completion will take place on or about 30th June, 2004. If the transfer procedures with the relevant PRC government authorities cannot be completed within 120 days, this agreement will lapse and will be of no further effect.

The CK-1 Model

CK-1 Model is a model of sedan developed in cooperation with Daewoo International Corporation, Wooshin Systems Company Limited, Top Metal Company Limited and CES Company Limited. These companies provided the modules and essential equipment for the production line. This model uses the same chassis and power assembly from the Geely Ulion model which is currently being produced by Zhejiang Geely. It is expected that its production will commence in August 2004 and launch to the market at the same time.

The consideration was arrived at by the parties after arm's length negotiation and the Directors consider that the consideration was fair and reasonable in the interests of Zhejiang Geely and its shareholders as a whole. The Directors consider that the acquisition will be beneficial to the Company, as it would expand the product range of Zhejiang Geely.

After completion of the acquisitions, the holding structure for these companies will be as follows:



Note: The shareholding of the Company in Zhejiang Geely and Fulin Guorun is held through Centurion Industries Limited, a wholly-owned subsidiary of the Company, and the shareholding of the Company in Shanghai Maple is held through Value Century Group Limited, a wholly-owned subsidiary of the Company.

The consideration of all acquisitions amounted to approximately RMB723,000,000, which is calculated based on the aggregate net book value of the assets of RMB784,017,703 to be acquired from Geely Holding and Merrie as at 30th April, 2004. The shareholder loan from Geely Holding to the acquired Company was RMB30,000,000 before acquisition. The acquisitions will be financed by a shareholder's loan provided by Geely Holding, which will be provided on an interest free basis. As at the date of this announcement, the loan agreement has not been signed. It is anticipated that the loan agreement will be signed before completion of the acquisitions.

After completion of the acquisitions, all research capabilities, plants and car models under completion or construction and all production lines for corresponding engines and gearboxes under Geely Holding would become the assets of the associated companies of the Company. It is expected that the annual production capacity of these associated companies of the Company will increase from the current 100,000 units to 200,000 units. After improvement to production techniques and resolving the bottle necks of the production process, the overall annual production capacity for automobiles and corresponding engines and gearboxes is expected to increase to 450,000 units by 2006.

BENEFIT TO THE GROUP

The continuous strong economic development in the PRC has led to an increase in demand for automobiles. The Board believes that the Group will benefit from the acquisitions by Zhejiang Geely and Maple Guorun, its associated companies, which expand their product range and sales and enhance their research and development capabilities, thereby strengthening their positions in the domestic automobile business in the PRC.

GENERAL

The principal activity of the Company is investment holding, the manufacturing and trading of automobile parts and also engaged in the research, production and sales of sedans and related automobile parts and components in PRC.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Automobile Research”	浙江吉利汽車研究院有限公司 Zhejiang Geely Automobile Research Institute Limited, a limited liability company established in the PRC which is currently owned as to 90% by Geely Holding and as to 10% by Maple Assets, which is not a connected person of the Company
“Board”	the board of directors of the Company
“Company”	Geely Automobile Holdings Company Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Geely Holding”	浙江吉利控股集團有限公司 Zhejiang Geely Holding Group Limited, a limited liability company incorporated in the PRC and is owned as to 72.7% by Mr. Li Shu Fu and as to 27.3% by Mr. Li Xu Bing respectively. Neither Mr. Li Shu Fu nor Mr. Li Xu Bing is a connected person of the Company.
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Engine”	寧波吉利發動機研究所有限公司 Ningbo Geely Engine Research Institute Limited, a limited liability company incorporated in the PRC which is currently owned as to 90% by Geely Holding and as to 10% by Maple Assets, which is not a connected person of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

- “Maple Guorun”** 上海華普國潤汽車有限公司 Shanghai Maple Guorun Automobile Company Limited, a Sino-foreign equity joint venture established in the PRC with limited liability which is owned as to 46.8% by the Group and as to 53.2% by Shanghai Maple Automobile Company Limited, which is not a connected person of the Company. Maple Guorun is an associated company of the Group
- “Stock Exchange”** The Stock Exchange of Hong Kong Limited
- “Fulin Guorun”** 浙江省福林國潤汽車零部件有限公司, Zhejiang Fulin Guorun Automobile Parts & Components Company Limited, a Sino-foreign equity joint venture established in the PRC with limited liability which is owned as to 51% by the Group and is a subsidiary of the Group
- “Zhejiang Geely”** 浙江吉利汽車有限公司 Zhejiang Geely Automobile Company Limited, a Sino-foreign equity joint venture established in the PRC with limited liability which is owned as to 46.8% by the Group and as to 53.2% by Merrie which is not a connected person of the Company. Zhejiang Geely is an associated company of the Group
- “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 56.97% by Geely Group Limited, as to 34.59% by Mr. Li Xu Bing and as to 8.44% by Zhejiang Geely Investment Limited respectively. Geely Group Limited is owned as to 55% by Mr. Li Shu Fu and as to 45% by Mr. Li Xu Bing. Zhejiang Geely Investment Limited is owned as to 50% by Mr. Li Xu Bing and as to 50% by Mr. Lin Zhong You respectively. Neither Mr. Li Xu Bing, Zhejiang Geely Investment Limited nor Mr. Lin Zhong You is a connected person of the Company
- “Zhejiang Haoqing”** 浙江豪情汽車制造有限公司 Zhejiang Haoqing Automobile Manufacturing Company Limited, a limited liability company incorporated in the PRC which is currently owned as to 90% by Geely Holding and 10% by Maple Assets, which is not a connected person of the Company
- “Maple Assets”** 上海華普資產管理有限公司 Shanghai Maple Assets Management Company Limited is owned by four senior management personnel of Geely Holding which is not a connected person of the Company

By Order of the Board
Geely Automobile Holdings Limited
HE Xuechu
Chairman

27th May, 2004

As at the date of this announcement, Mr. He Xuechu, Mr. Xu Xing Yao, Mr. Ang Siu Lun, Lawrence, Mr. Zhou Teng, Mr. Ku Wai Kwan, Mr. Nan Yang, Mr. Zhang Zhe, Mr. Wong Hing Kwok are executive Directors of the Company, and Mr. Lee Cheuk Yin, Dannis and Mr. Liu Ming Hui are independent non-executive Directors of the Company,

“Please also refer to the published version of this announcement in The Standard”