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GEELY GROUP LIMITED

(incorporated in the British Virgin Islands with limited liability)



**吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED**

*(incorporated in Cayman Islands with limited liability)
(Stock code: 175)*

JOINT ANNOUNCEMENT

**POSSIBLE UNCONDITIONAL MANDATORY GENERAL OFFER
TO BE MADE BY**



**G.K. GOH SECURITIES (H.K.) LIMITED
ON BEHALF OF
GEELY GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
GEELY AUTOMOBILE HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY BENEFICIALLY OWNED OR
AGREED TO BE ACQUIRED BY
GEELY GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT),
AND
CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to Geely Group Limited



G.K. Goh Securities (H.K.) Limited

THE POSSIBLE OFFER

Reference is made to the announcements made by the Company dated 11 January 2005, 7 February 2005, 3 March 2005 and 8 April 2005 relating to the Share Transfer Agreement and the Share Offer.

The Company was notified by the Vendors on 6 May 2005 that they have entered into the Share Transfer Agreement with the Offeror on the same date to dispose to the Offeror 68 PG Shares, representing their entire interest of 68% of the issued share capital of Proper Glory. It is expected that Completion of the Share Transfer Agreement will take place on or before 20 May 2005 or such other date as may be agreed by the parties in writing.

As at the date of this announcement, the Offeror was interested in 32% of the issued share capital of Proper Glory, which in turn was beneficially interested in 2,500 million Shares, representing approximately 60.68% of the existing issued share capital of the Company. Upon Completion, the Offeror and parties acting in concert with it will be interested in 2,500 million Shares, representing approximately 60.68% of existing issued share capital of the Company, and under Rule 26 of the Takeovers Code, the Offeror will be obliged to make a mandatory cash offer for all the Shares not already owned by the Offeror or parties acting in concert with it. Following and subject to Completion, G.K. Goh Securities (H.K.) Limited will, on behalf of the Offeror, make a mandatory cash offer on the terms and subject to the conditions referred to in this announcement and to be set out in the Offer Document to acquire all the issued Shares not already owned by the Offeror or parties acting in concert with it at HK\$0.09 per Share. The terms of the Offer are set out under the section headed "Possible Cash Offer" below.

CONTINUING CONNECTED TRANSACTIONS

Fulin Guorun, a 51% owned subsidiary of the Company, has been in its usual and ordinary course of business, selling automobile parts and components on normal commercial terms to an associated company of the Company Zhejiang Geely JV. Zhejiang Geely JV is ultimately beneficially owned by Mr. Li and his associates. Fulin Guorun is principally engaged in the manufacturing and trading of automobile parts and components in the PRC.

Upon Completion, Mr. Li will become the ultimate controlling Shareholder, and thus a connected person of the Company. The transactions between Fulin Guorun and Zhejiang Geely JV constitute continuing connected transactions for the Company. The Supply Agreement was entered into by Fulin Guorun with Zhejiang Geely JV to govern the terms of the Continuing Connected Transactions for the period from the date of approval of the Supply Agreement by the Independent Shareholders at the EGM to 31 December 2007. As the amount of the Continuing Connected Transactions on annual basis is expected to exceed the 2.5% threshold stated in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the requirements of reporting, announcement and approval by the Independent Shareholders at the EGM as set out in Chapter 14A of the Listing Rules.

As the Supply Agreement is independent of the Offer, it is not conditional upon the closing of the Offer. Similarly, the Offer is not conditional upon the approval of the Supply Agreement by the Independent Shareholders at the EGM.

DESPATCH OF OFFER DOCUMENT AND THE CIRCULAR

The composite offer document containing the Offer, the acceptance and transfer forms and, among other things, the advice from the independent board committee of the Company and the advice from the independent financial adviser to the independent board committee is expected to be despatched to the Shareholders and the Optionholder within 21 days from the publication of this announcement.

A circular containing the details of the Supply Agreement, the Continuing Connected Transactions and the Proposed Cap, the advice from the independent board committee of the Company and the advice from the independent financial adviser to the independent board committee will be despatched to the Shareholders within 21 days from the publication of this announcement. Proper Glory and its associates will abstain from voting at the resolution to be proposed at the EGM to approve the Supply Agreement and the Proposed Cap.

Shareholders of and potential investors in the Company should note that the Offer is a possibility only. Shareholders and potential investors in the Company should therefore exercise extreme caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 6 May 2005 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 May 2005.

INTRODUCTION

Reference is made to the announcements made by the Company dated 11 January 2005, 7 February 2005, 3 March 2005 and 8 April 2005 relating to the Share Transfer Agreement and the Share Offer.

The Company was notified by the Vendors on 6 May 2005 that they have entered into the Share Transfer Agreement with the Offeror on the same date to dispose to the Offeror 68 PG Shares, representing their entire interest of 68% of the issued share capital of Proper Glory, for a total cash consideration of HK\$153 million. The Offeror holds the remaining 32% interest in the issued share capital of Proper Glory. Proper Glory is the existing controlling Shareholder interested in 2,500 million Shares, representing approximately 60.68% in the issued share capital of the Company.

The Share Transfer Agreement is conditional upon:

- (i) the general offer obligation arising from the sale and purchase of PG shares having been approved by the SFC;

- (ii) there being no action, omission (including any breaches or non-compliance of the Listing Rules) on the part of the Vendors, Proper Glory and the Company which will result in the Company losing its listing status on the Stock Exchange or any suspension exceeding 7 consecutive trading days (other than any suspension in connection with the clearance by the Stock Exchange or the SFC of any announcements or circular required to be issued by the Company in connection with the transactions contemplated under the Share Transfer Agreement);
- (iii) no indication being received that any necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities in Hong Kong, Cayman Islands and the PRC for the implementation of the transaction contemplated under the Share Transfer Agreement not having been obtained; and
- (iv) the warranties in the Share Transfer Agreement remaining true and accurate in all respects.

The Offeror may at any time prior to Completion waive condition (iv) above. The Offeror currently has no intention to waive condition (iv) prior to Completion. If any of the conditions has not been fulfilled (or waived by the Purchaser) on or before 30 June 2005, the Share Transfer Agreement shall terminate. In such an event, the share transfer of the PG Shares will not be effected and no unconditional mandatory general offer obligations will be triggered by the Offeror.

It is expected that Completion of the Share Transfer Agreement will take place on or before 20 May 2005 or such other later time as may be agreed by the parties to the Share Transfer Agreement in writing.

Following Completion, the Vendors will not have any interests in the issued share capital of the Company.

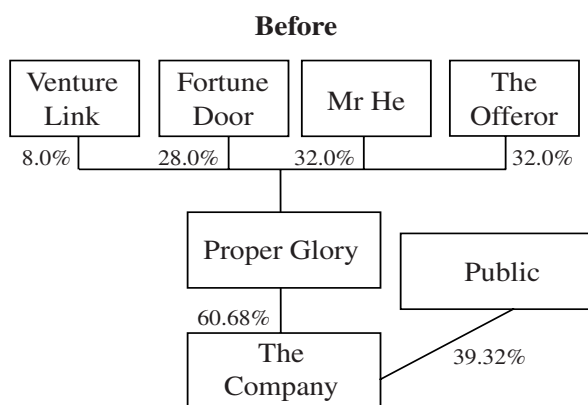
The consideration of HK\$153.0 million payable under the Share Transfer Agreement was arrived at after arm's length negotiation amongst the Offeror and the Vendors. Based on the total consideration paid by the Offeror under the Share Transfer Agreement, the implied consideration paid by the Offeror for the 1,700 million Shares held by Proper Glory is equivalent to approximately HK\$0.09 per Share.

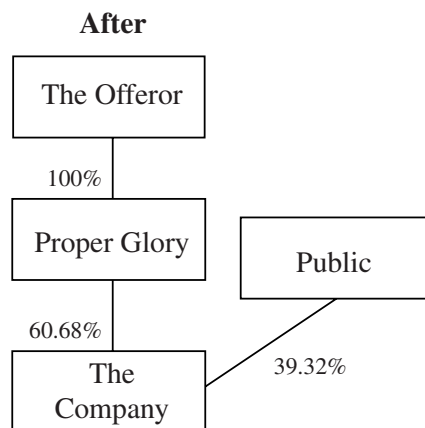
Save for the Share Transfer Agreement, neither the Offeror nor any parties acting in concert with it has dealt in any Shares or any other securities convertible into Shares, including warrants, options or subscription rights, during the six months prior to the date of this announcement.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this announcement, the Offeror was interested in 32% of the issued share capital of Proper Glory, which in turn was interested in 2,500 million Shares, representing approximately 60.68% of the existing issued share capital of the Company. Following and subject to Completion, the Offeror and parties acting in concert with it will be interested in 2,500 million Shares, representing approximately 60.68% of existing issued share capital of the Company. Under Rule 26 of the Takeovers Code, the Offeror will be obliged to make an mandatory unconditional cash offer for all the Shares not already owned by the Offeror or parties acting in concert with it.

The shareholding structure of the Company before and after Completion but before the commencement of the Offer (assuming that the Options has not been exercised) is as follows:





TERMS OF THE POSSIBLE OFFER

Subject to Completion, G.K. Goh Securities (H.K.) Limited will, on behalf of the Offeror, make the mandatory unconditional cash offer which will be subject to the conditions and terms set out in this announcement and to be set out in the Offer Document when issued, on the following basis:

For each Share HK\$0.09 in cash

Under the Offer, the Shares will be acquired free from all encumbrances and together with all rights and benefits, including all rights to any dividend or other distribution declared, made or paid after the date of acceptance.

The Possible Offer

The Share Offer Price is equivalent to the implied price per Share paid by the Offeror under the Share Transfer Agreement, which represents:

- a discount of approximately 80.4% to the closing price of Shares on the Stock Exchange of HK\$0.460 per Share, being the last price traded immediately prior to the suspension of trading in Shares on 6 May 2005;
- a discount approximately 80.3% to the average closing price of Shares on the Stock Exchange of HK\$0.458 per Share for the 10 trading days up to and including the last trading day immediately prior to the suspension of trading in Shares on 6 May 2005; and
- a discount of approximately 43.4% to the audited consolidated net tangible asset value per Share of approximately HK\$0.159 as at 31 December 2004 (based on the Group's audited consolidated net asset value of approximately HK\$653.4 million as at 31 December 2004 and 4,120,264,902 Shares in issue.

During the six-month period preceding the date of this announcement, the highest closing price of Shares on the Stock Exchange was HK\$0.53 (on 23 February 2005 and 24 February 2005) and the lowest closing price of Shares on the Stock Exchange was HK\$0.36 per Share (on 30 December 2004, 5 January 2005 and 6 January 2005).

As at the date of this announcement, the Company has 35 million outstanding Options, which was granted to the Option holder, and if exercised in full would result in the issue of additional 35 million Shares (representing 0.85% of the issued share capital of the Company as enlarged by such exercise in full of such outstanding Options). The exercise period of the Options is from 23 February 2004 to 22 February 2009. The Offeror has received the irrevocable undertaking given by the Optionholder that he will not exercise the Options and will not accept any offer in relation to the Options. On this basis, no offer will be made to the Optionholder for the cancellation of the Options. As at the date of this announcement, save for the irrevocable undertaking received from the Optionholder, the Offeror or person acting in concert with it has not received any other irrevocable commitment to accept the Offer.

As at the date of this announcement, save for the Options referred to above, the Company has no other convertible securities, options, derivatives or warrants outstanding and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

Total consideration for the Offer

Based on the total number of 4,120,264,902 Shares in issue as at the date of this announcement, the Share Offer values the Company at approximately HK\$370.8 million. Such valuation has been determined after arm's length negotiations between the Offeror and the Vendors.

Pursuant to a loan agreement entered into between the Vendors and the Offeror dated 6 May 2005, the Vendors have agreed to provide a loan of up to HK\$153.0 million to the Offeror for the sole purpose of making the Offer, and the Vendors have also agreed not to withdraw such loan during the Offer period.

On this basis, G.K. Goh Securities (H.K.) Limited is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offer.

Terms

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of acceptance.

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Stamp duty

The Offeror will pay the seller's ad valorem stamp duty arising in connection with the acceptances of the Share Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration which the accepting Shareholdings will become liable to pay and will be deducted from the proceeds due to such accepting Shareholders under the Share Offer.

INFORMATION ON THE COMPANY

The Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components in the PRC. The following is a summary of the Group's audited financial results for each of the two years ended 31 December 2004:

	For the year ended	
	31 December	
	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	39,872	41,123
Profit attributable to shareholders	<u>57,486</u>	<u>84,394</u>

The audited consolidated net asset value of the Group amounted to approximately HK\$653.4 million as at 31 December 2004.

INFORMATION ON THE OFFEROR

The Offeror is a private company incorporated in the British Virgin Islands with limited liability. Since its incorporation, the Offeror has not carried out any business activity other than its indirect beneficial interest in the Company and the cash equivalent assets, which are designated for making the Offer. Mr. Li is the sole shareholder and sole director of the Offeror. Information relating to Mr. Li is set out in the section headed "Directors and management" below.

Prior to Completion and as at the date of this announcement, the Offeror was interested in 32% of the issued share capital of Proper Glory. Following Completion, the Offeror and parties acting in concert with it will be interested in the entire issued share capital of Proper Glory, which in turn holds 2,500 million Shares, representing approximately 60.68% of the issued share capital of the Company.

REASONS FOR MAKING THE OFFER

The Offeror considers that the Share Transfer Agreement presented an opportunity for it to gain a controlling interest in the Company. Upon Completion, the beneficial shareholding interests of the Offeror and parties acting in concert with it collectively will amount to approximately 60.68%, and is therefore obliged under Rule 26 of the Takeovers Code to make a unconditional mandatory cash offer to acquire all the issued Shares other than those already owned by the Offeror or parties acting in concert with it.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Business

The Offeror intends that the Group will continue with all of its existing businesses. The Offeror does not intend to make any material changes to the businesses of the Group or to redeploy any fixed assets of the Company following the closing of the Offer.

As at Completion, the Offeror is the ultimate controlling Shareholder and thus a connected person of the Company, any proposed acquisition of assets from or to the Offeror will constitute connected transactions for the Company under the Listing Rules and will be subject to the provisions of the Listing Rules and as the case may be, the approval of independent Shareholders other than the Offeror and its associates at an extraordinary general meeting of the Company. There is no concrete plan as to any proposed acquisition of assets from or to the Offeror or any of its associates following the closing of the Offer.

Directors and management

The Board is currently made up of 10 Directors, comprising eight executive Directors and two independent non-executive Directors. Upon closing of the Offer, six of the existing executive Directors namely, Mr. He, Messrs. Xu Xing Yao, Ku Wai Kwan, Zhou Teng, Zhang Zhe and Wong Hing Kwok will resign. Upon Completion, seven executive Directors will be nominated by the Offeror to the Board. Biographical details of the seven proposed executive Directors are as follows:

Mr. Li Shu Fu, aged 42, is the controlling shareholder, founder, chairman of the board of Zhejiang Geely Holding Limited (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associates). Zhejiang Geely Holding Limited and its subsidiaries are principally engaged in manufacturing and sales of automobiles in the PRC. Mr. Li is also the chairman of the two associated companies of the Company namely, Zhejiang Geely JV and Shanghai Maple JV. Mr. Li has over 20 years of experience in the investment and management of the automobile manufacturing business and real estate business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li holds a master degree in engineering from Yan Shan University.

Mr. Xu Gang, aged 44, is the head of Shanghai Maple JV's management committee. Mr. Xu graduated from Taizhou College and is studying EMBA degree in the Guanghua Management School of Beijing University. Mr. Xu is a professional expert in business management and has 23 years of experience in the management and leadership of various government departments. Mr. Xu was accredited as "The Best CEO/President of Private Automobile Enterprises in 2003" by a pertinent organization in China. Mr. Xu is now in charge of the overall administration of the Shanghai Maple JV.

Mr. Yang Jian, aged 43, is the First Vice President of Zhejiang Geely Holding Limited and Head of Zhejiang Geely Automobile Research Institute Ltd., which is 90% owned by Shanghai Maple JV. Mr. Yang graduated from Zhejiang Radio and Television University with focus on production management. Since joining Zhejiang Geely Holding Limited in 1995, Mr. Yang was involved in a number of different job functions within the group including production management, quality control, general administration, research and development and project management. Mr. Yang is now in charge of general administration of Zhejiang Geely Holding Limited and Zhejiang Geely Automobile Research Institute Ltd..

Mr. Shim Bong Sup, aged 60, is the Vice President and Technical Consultant of Zhejiang Geely Holding Limited. Mr. Shim holds a Bachelor degree in metallurgical engineering and has extensive experience in the Korean automotive industry for more than 36 years experience, especially in new car development, automotive technology and quality assurance. Mr. Shim was the vice president of Daewoo Motor and the chairman of Korean Automobile Engineering Association.

Mr. Yin Da Qing, Richard, aged 55, is the Vice President and Chief Financial Officer of Zhejiang Geely Holding Limited. Mr. Yin holds a Bachelor degree in English from Wuhan University and Advanced Certificate in Administration of Economy from the Postgraduate Institute of China Academy of Social Science. Mr. Yin has 34 years of experience in Accounting and Finance and held key executive positions in various Chinese and multinational companies in China including Dupont Textile, Dupont Agricultural Chemicals, Brilliance Holding and Shenyang Jinbei Passenger Vehicle Manufacturing Co. Ltd.

Mr. Liu Jin Liang, aged 39, is the Vice President of Zhejiang Geely Holding Limited and General Manager of Zhejiang Geely Automobile Sales Co. Ltd., which is 90%-owned by Zhejiang Geely JV. Mr. Liu graduated from the Capital University of Economics and Business, focusing on industrial management. Prior to joining Zhejiang Geely Holding Limited in 1995, Mr. Liu held a number of management positions in several major hotels in China. Mr. Liu has about 10 years experience in the marketing and sales of motor vehicles in China. Mr. Liu is now in charge of all the sales functions of Zhejiang Geely JV in China.

Mr. Gui Sheng Yue, aged 42. Mr. Gui has over 20 years of experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science degree in mechanical engineering from Xian Jiaotong University and a Master degree in business administration from University of San Francisco.

The Offeror notified to the Company that other than the proposed changes to the board of Directors referred to above, it does not intend that there will be any material changes to the existing management and employees of the Group following the closing of the Offer. Given this and that the fact that all of the proposed executive Directors as abovementioned are currently involved in the operations and management of the two associated companies of the Company namely, Zhejiang Geely JV and/or Shanghai Maple JV, the Directors consider that the resignation of the six existing executive Directors upon Completion will not have material adverse impact on the operations of the Group.

Compulsory acquisition

The Offeror does not intend to apply any right which may be made available to it to acquire compulsorily any Shares outstanding after the closing of the Offer.

Maintaining of listing status of the Company

The Offeror notified the Company that it is its intention to maintain the listing of the Shares on the Stock Exchange after the closing of the Offer. The Directors have undertaken and the Offeror and the new Directors nominated by the Offeror and to be appointed to the Board will undertake that following the closing of the Offer, appropriate steps will be taken as soon as possible to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange stated that if, at the closing of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**
- **there are too few Shares in public hands to maintain an orderly market,**

then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.

The Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants set out in the Listing Rules.

DESPATCH OF OFFER DOCUMENT

The Company will appoint an independent financial adviser to advise the independent board committee of the Company to be set up on the fairness and reasonableness of the terms of the Offer. The composite Offer Document containing details of the Offer, the acceptance and transfer forms and, among other things, the advice from the independent board committee of the Company and the advice from the independent financial adviser is expected to be despatched to the Shareholders within 21 days from the publication of this announcement. Further announcement(s) will be made by the Company regarding the Offer as and when appropriate.

CONTINUING CONNECTED TRANSACTIONS

Background

Fulin Guorun, a 51% owned subsidiary of the Company, has been in its usual and ordinary course of business, selling automobile parts and components on normal commercial terms to an associated company of the Company, Zhejiang Geely JV since December 2003. Fulin Guorun is principally engaged in the manufacturing and trading of automobile parts and components in the PRC.

As at the date of this announcement and prior to Completion, Mr. Li is not a connected person of the Company, as Mr. Li does not hold more than 50% of the issued share capital of Proper Glory nor is he a director of Proper Glory or of the Company. Hence, prior to Completion, any transactions between the Group and Mr. Li or his associates will not constitute connected transactions under the Listing Rules.

Upon Completion, Mr. Li will become the ultimate controlling Shareholder, and thus a connected person of the Company. Mr Li is also the ultimate controlling shareholder of Zhejiang Geely JV. The transactions between Fulin Guorun and Zhejiang Geely JV constitute continuing connected transactions for the Company. The Supply Agreement was entered into between Fulin Guorun and Zhejiang Geely JV to govern the terms of the Continuing Connected Transactions for the period from the date of the Supply Agreement to 31 December 2007. As the amount of the Continuing Connected Transactions on annual basis is expected to exceed the 2.5% threshold stated in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the requirements of reporting, announcement and approval by the Independent Shareholders at the EGM as set out in Chapter 14A of the Listing Rules.

As the Supply Agreement is independent of the Offer, it is not conditional upon the closing of the Offer. Similarly, the Offer are not conditional upon the approval of the Supply Agreement by the Independent Shareholders at the EGM.

The Supply Agreement dated 6 May 2005

- Parties:*
- (i) Fulin Guorun, a 51% owned subsidiary of the Company;
 - (ii) Zhejiang Geely JV, whose principal business is engaged in the design and manufacture of automobiles in the PRC.

Nature of transaction

Fulin Guorun will, in its usual and ordinary course of business, enter into transactions with Zhejiang Geely JV for the sale of automobile parts and components to these companies for their own consumption in the manufacture of automobiles.

Term

From the date of approval of the Supply Agreement by the Independent Shareholders at the EGM to 31 December 2007, and if there is no agreement on the extension period three months prior to the date of expiry of the Supply Agreement, the Supply Agreement will automatically be renewed for 1 year thereafter. The Company will comply with the relevant provisions of Chapter 14A of the Listing Rules upon renewal of the Supply Agreement.

Pricing basis

The consideration payable under the transactions pursuant to the Supply Agreement will be determined at arm's length negotiations between the relevant parties with reference to prevalent market price or on no more favourable terms than those offered by Fulin Guorun to other independent third parties.

The terms of the Supply Agreement have been determined on an arm's length basis and the transactions pursuant thereto will be conducted in the ordinary course of business of the parties concerned and on normal commercial terms. The executive Directors consider that the terms of the Supply Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Condition precedent

The Supply Agreement shall be conditional upon the resolution in respect of the Supply Agreement having been passed by the Independent Shareholders by poll at the EGM in accordance with the requirements of the Listing Rules.

Annual Cap

The Directors expect that the annual aggregate amount of the transactions contemplated under the Supply Agreement will not exceed HK\$60 million, HK\$80 million and HK\$95 million for each of the three years ending 31 December 2005, 2006 and 2007 respectively. The Proposed Cap has been determined by the executive Directors with reference to:

- (i) expected increase in Fulin Guorun's sales volume of automobile parts and components to Zhejiang Geely JV in accordance with the expected growth in the business volume of Zhejiang Geely JV for each of the three years ending 31 December 2007;
- (ii) the increase in the variety of automobile parts and components to be manufactured by Fulin Guorun and the expected increase in the volume of products to be sold to Zhejiang Geely JV for each of the three years ending 31 December 2007 based on the expected growth of the business volume of Zhejiang Geely JV during the same period;
- (iii) the historical transaction amount of approximately HK\$23.0 million of the Continuing Connected Transactions for the year ended 31 December 2004; and
- (iv) the price trend of the automobile parts and components manufactured by Fulin Guorun in the coming years.

Reasons for entering into the Supply Agreement

The Supply Agreement will provide the Group with an additional source of revenue for of the Group's products. The Directors consider that the Supply Agreement will enable the Group to generate steady revenue from the trading of the automobile parts and components which is in the interests of the Company and the Shareholders as a whole.

Apart from the Continuing Connected Transactions, following closing of the Offer, the Directors will take a further review of the business opportunities and future collaboration between the Group and Zhejiang Geely Holding Limited and its subsidiaries to see if there would be any other possible continuing connected transactions to be effected between the two group of companies. Further announcement in connection with other any possible continuing connected transactions will be made by the Company as and when appropriate in accordance with the Listing Rules.

General

A circular containing details of the terms of the Supply Agreement and the Proposed Cap, the relevant advice from the independent board committee of the Company and the advice from independent financial adviser to the independent board committee will be despatched to the Shareholders within 21 days from the publication of this announcement. Proper Glory and its associates will abstain from voting at the resolution to be proposed at the EGM to approve the Supply Agreement and the Proposed Cap.

The Offer is a possibility only. Shareholders and potential investors in the Company should therefore exercise extreme caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 6 May 2005 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 May 2005.

DEFINITIONS

“acting in concert”	the same meaning ascribed to it in the Takeovers Code
“associate(s)”	the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Geely Automobile Holdings Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Completion”	completion of the Share Transfer Agreement
“Continuing Connected Transactions”	the continuing connected transactions to be transacted between Fulin Guorun and Zhejiang Geely JV under the Supply Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Supply Agreement including the Proposed Cap

“Fulin Guorun”	Zhejiang Fulin Guorun Automobiles Parts & Components Co Ltd, a company incorporated in the PRC, and owned as to 51% by the Company and 49% by Zhejiang Fulin Automobiles Parts & Components Co Ltd, an independent third party
“Fortune Door”	Fortune Door Investment Limited, one of the Vendors interested in 28% of the issued share capital of Proper Glory prior to Completion, is a private company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Ku Wai Kwan, an executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders other than Proper Glory and its associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Xuechu, one of the Vendors under the Share Transfer Agreement and interested in 32% of the issued share capital of Proper Glory, is the chairman and an executive Director
“Mr. Li”	Mr. Li Shu Fu, the sole shareholder and sole director of the Offeror, and is interested in 32% of the issued share capital of Proper Glory as at the date of this announcement
“Offer”	the unconditional mandatory cash offer to be made by G.K. Goh Securities (H.K.) Limited on behalf of the Offeror for all outstanding Shares other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offer Document”	the composite document to be issued by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, amongst other things, details of the Offer, the acceptance and transfer forms, the recommendation of the independent board committee of the Company and the advice of the independent financial adviser
“Offeror”	Geely Group Limited (formerly known as Sapient Group Limited), a company incorporated on 1 December 2003 in the British Virgin Islands with limited liability and which is beneficially owned as to 100% by Mr. Li
“Options”	employee share options granted by the Company to subscribe for new Shares
“Optionholder”	Mr. Ang Siu Lun, Lawrence, an executive Director, interested in 35 million Options
“PG Shares”	68 shares in Proper Glory, representing 68% of the issued share capital of Proper Glory
“PRC”	the People’s Republic of China
“Proper Glory”	Proper Glory Holding Inc., a company incorporated in the British Virgin Islands with limited liability, is the controlling Shareholder interested in approximately 60.68% in the issued share capital of the Company as at the date of this announcement, and was in turn owned as to 32% by the Offeror, 32% by Mr. He, 28% by Fortune Door and 8% by Venture Link.
“Shanghai Maple JV”	Shanghai Maple Guorun Automobile Co Ltd, a sino-foreign joint venture company incorporated in the PRC, and owned as to 46.8% by the Company and 53.2% by Zhejiang Geely Holding Limited (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associates)

“Share(s)”	share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholders”	holders of Shares
“Share Offer Price”	HK\$0.09 per Share payable under the Offer
“Share Transfer Agreement”	the conditional agreement for the sale and purchase of the PG Shares dated 6 May 2005 between the Offeror and the Vendors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the master supply agreement dated 6 May 2005 entered into between Fulin Guorun and Zhejiang Geely JV for the sale and purchase of automobile parts and components
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Vendors”	Mr. He, Fortune Door and Venture Link
“Venture Link”	Venture Link Assets Limited, one of the Vendors interested in 8% of the issued share capital of Proper Glory prior to Completion, is a private company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Zhou Teng, an executive Director
“Zhejiang Geely JV”	Zhejiang Geely Automobile Co Ltd, a sino-foreign joint venture company incorporated in the PRC, and owned as to 46.8% by the Company and 53.2% by Zhejiang Geely Holding Limited (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associates)
“%”	per cent.

As at the date of this announcement, the executive Directors are Messrs. He Xuechu, Xu Xing Yao, Ang Siu Lun, Lawrence, Ku Wai Kwan, Zhou Teng, Nan Yang, Zhang Zhe and Wong Hing Kwok and the independent non-executive directors are Messrs. Song Lin and Lee Cheuk Yin, Dennis.

By order of the Board
Geely Group Limited
Li Shu Fu
Director

By order of the Board
Geely Automobile Holdings Limited
He Xuechu
Chairman

Hong Kong, 10 May 2005

The sole director of the Offeror accept full responsibility for the accuracy of the information (other than information relating to the Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than opinions expressed by the Group) have been arrived at 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Offeror) have been arrived at 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.

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