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GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 175)

CLARIFICATION ANNOUNCEMENT

The Board wishes to clarify various press articles of 26 May 2005 regarding Mr. Li Shu Fu's intention to inject his automobile business into the Company, the Company's intention to increase its equity interest in a joint venture to over 50% and the Company's intention to enter into agreements in relation to production of automobile in Malaysia. Mr. Li Shu Fu is the sole director and sole shareholder of the Offeror.

The Board wishes to clarify that neither the Company nor the Offeror have any concrete plan, timetable or financing proposal for the Company's proposed increase in shareholding in two associated companies namely, Zhejiang Geely Automobile Company Limited and Shanghai Maple Guorun Automobile Company Limited.

Reference is made to the announcement of Geely Automobile Holdings Limited (the "**Company**") dated 10 May 2005 ("**Announcement**") relating to the unconditional mandatory general offer by G.K. Goh Securities (H.K.) Limited on behalf of Geely Group Limited for all the shares in the Company (other than those shares already beneficially owned or agreed to be acquired by Geely Group Limited or parties acting in concert with it). Mr. Li Shu Fu is the sole director and sole shareholder of the Offeror. Unless otherwise stated, terms used in the Announcement shall have the same meanings as in this announcement.

The board of directors (the "**Board**") of the Company noted several press articles of 26 May 2005 regarding Mr. Li Shu Fu's intention to inject his automobile business into the Company, the Company's intention to increase its equity interest in a joint venture to over 50% and the Company's intention to enter into agreements in relation to production of automobile in Malaysia.

The Board wishes to clarify the followings:

- As stated in the Company's 2003 and 2004 annual reports, the Group has considered to raise its shareholdings in two associated companies namely, Zhejiang Geely Automobile Company Limited and Shanghai Maple Guorun Automobile Company Limited (the "Auto JVs") from 46.8% to over 50%, subject to the PRC government approval and compliance with relevant regulations. If this intention of the Company were to realise, Mr. Li Shu Fu and his associates' indirect interests of 53.2% in the Auto JVs will decrease. Currently, according to existing regulations and laws in the PRC, foreign shareholders are prohibited to have more than 50% shareholding in automobile manufacturers. Thus, neither the Company nor the Offeror have any concrete plan, timetable or financing proposal for the Company's proposed increase in shareholding of the Auto JVs.

- The Company has started negotiation with a number of parties for the contract manufacturing of automobiles in Malaysia. However, as of today, the Company has not entered into any agreements with any parties. The agreement might or might not materialize. According to the latest position, no joint venture will be formed when the agreement is entered into and therefore the entering into of the agreement, which is in the ordinary course of business of the Group, will not constitute a notifiable transaction under Chapter 14 of the Listing Rules (as defined below).

Save as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions and realizations which are discloseable under Rule 13.23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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

Hong Kong, 26 May 2005

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

The Directors 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 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.