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

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

DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO INCREASE IN THE REGISTERED CAPITAL OF EACH OF
(1) ZHEJIANG GEELEY AUTOMOBILE COMPANY LIMITED
AND
(2) SHANGHAI MAPLE GUORUN AUTOMOBILE COMPANY LIMITED

Financial Adviser to Geely Automobile Holdings Limited

CIMB

CIMB-GK Securities (HK) Limited

Zhejiang JV and Shanghai Maple JV proposed to increase their registered capital by way of pro rata subscription by their respective shareholders. As a result, the Group entered into the Agreements to effect the capital increase on 25 July 2006. The Group also plans to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006.

1ST ZHEJIANG JV CAPITAL INCREASE AGREEMENT

Pursuant to the 1st Zhejiang JV Capital Increase Agreement, the registered capital of Zhejiang JV will be increased from approximately US\$82.80 million (equivalent to approximately RMB662.42 million or HK\$644.21 million) to approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million). The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV. The interests of the joint venture partners, namely Centurion, a wholly-owned subsidiary of the Company, and Zhejiang Geely Merrie in Zhejiang JV will remain unchanged after the capital increase at 46.81% and 53.19%, respectively.

Following the capital increase, Zhejiang JV will continue to be accounted for as an associated company of the Company.

SHANGHAI MAPLE JV CAPITAL INCREASE AGREEMENT

Pursuant to the Shanghai Maple JV Capital Increase Agreement, the registered capital of Shanghai Maple JV will be increased from approximately US\$51.70 million (equivalent to approximately RMB413.57 million or HK\$402.20 million) to approximately US\$99.76 million (equivalent to approximately RMB798.11 million or HK\$776.16 million). The increase in the registered capital will be contributed by Value Century and Shanghai Maple Automobile in accordance with their respective interests in the registered capital of Shanghai Maple JV. The interests of the joint venture partners, namely Value Century, a wholly-owned subsidiary of the Company, and Shanghai Maple Automobile, in Shanghai Maple JV will remain unchanged after the capital increase at 46.81% and 53.19%, respectively.

Following the capital increase, Shanghai Maple JV will continue to be accounted for as an associated company of the Company.

2ND ZHEJIANG JV CAPITAL INCREASE AGREEMENT

The Group also plans to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006 to further increase the registered capital of Zhejiang JV from approximately US\$176.27 million, after the capital increase pursuant to the 1st Zhejiang JV Capital Increase Agreement (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million), to approximately US\$231.01 million (equivalent to approximately RMB1,848.07 million or HK\$1,797.24 million).

The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV. The interests of the joint venture partners, namely Centurion, a wholly-owned subsidiary of the Company, and Zhejiang Geely Merrie in Zhejiang JV will remain unchanged after the capital increase at 46.81% and 53.19%, respectively. Following the second capital increase, Zhejiang JV will continue to be accounted for as an associated company of the Company.

LISTING RULES REQUIREMENTS

Shanghai Maple Automobile and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rule by virtue of the fact that both Shanghai Maple Automobile and Zhejiang Geely Merrie are beneficially owned by Mr. Li and his associates. As a result, the entering into of the Shanghai Maple JV Capital Increase Agreement, the 1st Zhejiang JV Capital Increase Agreement and the 2nd Zhejiang JV Capital Increase Agreement constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively and is subject to the requirements of reporting, announcement, and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

Proper Glory and Geely Group, wholly-owned by Mr. Li, holding 60.68% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement to be put forward at the EGM.

An Independent Board Committee will be appointed to advise the Independent Shareholders in respect of the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement, a letter from the Independent Board Committee and the opinion from the independent financial adviser, together with a notice convening the EGM to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement will be despatched to the Shareholders as soon as practicable.

As the 2nd Zhejiang JV Capital Increase Agreement may or may not be entered into, Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

1ST ZHEJIANG JV CAPITAL INCREASE AGREEMENT

Date : 25 July 2006

Parties : Centurion
Zhejiang Geely Merrie

Increase in registered capital : To increase the registered capital of Zhejiang JV from approximately US\$82.80 million (equivalent to approximately RMB662.42 million or HK\$644.21 million) to approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million) The amount of capital increase was determined with reference to the financial needs of Zhejiang JV for the upgrade and expansion of its production facilities.

The registered capital of Zhejiang JV will remain to be owned as to 46.81% by Centurion and 53.19% by Zhejiang Geely Merrie. The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV in the following manners:

- (i) Centurion will contribute approximately US\$43.75 million (equivalent to approximately RMB350.00 million or HK\$340.38 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Centurion's contribution to the increase in registered capital of Zhejiang JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase; and
- (ii) Zhejiang Geely Merrie will contribute approximately US\$49.71 million (equivalent to approximately RMB397.70 million or HK\$386.77 million) in cash. Zhejiang Geely Merrie's contribution to the increase in registered capital of Zhejiang JV will be conditional upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase and will be made within 3 months from such approval.

Proposed entering into the 2nd Zhejiang JV Capital Increase Agreement : It is the intention of Centurion and Zhejiang Geely Merrie to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006. Details of which is disclosed in the section headed "Proposed entering into the 2nd Zhejiang JV Capital Increase Agreement" of this Announcement.

Effective Date

The 1st Zhejiang JV Capital Increase Agreement will become effective upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase.

SHANGHAI MAPLE JV CAPITAL INCREASE AGREEMENT

Date : 25 July 2006

Parties : Value Century
Shanghai Maple Automobile

Increase in registered capital : To increase the registered capital of Shanghai Maple JV from approximately US\$51.70 million (equivalent to approximately RMB413.57 million or HK\$402.20 million) to approximately US\$99.76 million (equivalent to approximately RMB798.11 million or HK\$776.16 million). The amount of capital increase was determined with reference to the financial needs of Shanghai Maple JV for the research and development of new products, upgrade and expansion of its production facilities.

The registered capital of Shanghai Maple JV will remain to be owned as to 46.81% by Value Century and 53.19% by Shanghai Maple Automobile. The increase in the registered capital will be contributed by Value Century and Shanghai Maple Automobile in accordance with their respective interests in the registered capital of Shanghai Maple JV in the following manners:

- (i) Value Century will contribute approximately US\$22.50 million (equivalent to approximately RMB180.00 million or HK\$175.05 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Value Century's contribution to the increase in registered capital of Shanghai JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase; and
- (ii) Shanghai Maple Automobile will contribute approximately US\$25.57 million (equivalent to approximately RMB204.53 million or HK\$198.91 million) in cash. Shanghai Maple Automobile's contribution to the increase in registered capital of Shanghai Maple JV will be conditional upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase and will be made within 3 months of such approval.

Effective Date

The Shanghai Maple JV Capital Increase Agreement will become effective upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase.

PROPOSED ENTERING INTO THE 2ND ZHEJIANG JV CAPITAL INCREASE AGREEMENT

- Date : To be entered into on or before 31 August 2006
- Parties : Centurion
Zhejiang Geely Merrie
- Increase in registered capital : To increase the registered capital of Zhejiang JV from approximately US\$176.27 million, after the capital increase pursuant to the 1st Zhejiang JV Capital Increase Agreement (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million), to US\$231.01 million (equivalent to approximately RMB1,848.07 million or HK\$1,797.24 million). The amount of capital increase was determined with reference to the financial needs of Zhejiang JV for the research and development of new products and purchase of new machines.

The registered capital of Zhejiang JV will remain to be owned as to 46.81% by Centurion and 53.19% by Zhejiang Geely Merrie. The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV in the following manners:

- (i) Centurion will contribute approximately US\$25.63 million (equivalent to approximately RMB205.00 million or HK\$199.36 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Centurion's contribution to the increase in registered capital of Zhejiang JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase; and

- (ii) Zhejiang Geely Merrie will contribute approximately US\$29.12 million (equivalent to approximately RMB232.94 million or HK\$226.53 million) in cash. Zhejiang Geely Merrie's contribution to the increase in registered capital of Zhejiang JV will be conditional upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase and will be made within 3 months of such approval.

Effective Date

The 2nd Zhejiang JV Capital Increase Agreement will become effective upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase. Further announcement will be made when the Company enters into the 2nd Zhejiang JV Capital Increase Agreement or there are material changes to the terms of the 2nd Zhejiang JV Capital Increase Agreement as disclosed herein.

It is proposed that the 2nd Zhejiang JV Capital Increase Agreement will be entered into at a later stage after the 1st Zhejiang JV Capital Increase Agreement, as Zhejiang Geely Merrie needs additional time to secure the funding required to be contributed to the 2nd Zhejiang JV Capital Increase Agreement. It is expected that the final principal terms of the 2nd Zhejiang JV Capital Increase Agreement, including the amounts to be contributed by Centurion and Zhejiang Geely Merrie and the intended use of capital raised, will be the same as disclosed in this announcement. Further announcement will be made when the Company enters into the 2nd Zhejiang JV Capital Increase Agreement.

USE OF CAPITAL RAISED

Zhejiang JV and Shanghai Maple JV intended to use the amount of capital raised for the following purposes:

Zhejiang JV

- (i) approximately RMB68.00 million will be used for research and development of new models for economy sedan;
- (ii) approximately RMB590.50 million will be used for expansion of infrastructure and production lines, of which approximately RMB400.50 million, RMB95.00 million and RMB 95.00 million is planned to be used for the expansion of production facilities in Ningbo, Linhai and Luqiao respectively; and
- (iii) approximately RMB527.00 million will be used for purchase of machinery, of which approximately RMB137.00 million will be used for purchase of stamping and painting machines and approximately RMB390.00 million will be used for purchase of welding robots and new machines for molding and testing purposes.

Shanghai Maple JV

- (i) approximately RMB184.50 million will be used for expansion of production facilities, including second phase of the Shanghai production plant and new machines; and
- (ii) approximately RMB200.00 million will be allocated for new product models development in the following manner:
- approximately RMB86.10 million will be allocated for molding equipments;
 - approximately RMB35.00 million will be allocated for testing equipments; and
 - approximately RMB78.90 million will be allocated for design and research and development expenses.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles in the PRC. The Directors believe that the strong growth in the demand for fuel-efficient and easy-to maintain economy sedans in the PRC should be sustainable in the coming decade. The Group, Zhejiang JV and Shanghai Maple JV are actively seeking ways to expand their operations. Zhejiang JV and Shanghai Maple JV intend to continue the expansion and upgrading of their production plants to further improve quality and reduce costs. Accordingly, the increases in the registered capital of Zhejiang JV and Shanghai Maple JV are required to meet their expansion plans. Given the Directors' confidence in the PRC automobile industry, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement as well as the consideration are fair and reasonable so far as the Company and the Shareholders are concerned and the amounts of capital increase in Shanghai Maple JV and Zhejiang JV are in the interest of the Company and its Shareholders as a whole.

INFORMATION ON ZHEJIANG JV

The Group, through a wholly-owned subsidiary, currently owns 46.81% of Zhejiang JV as an associate. Zhejiang JV has production facilities in Ningbo, Linhai and Luqiao. The three production plants are fully-integrated plants, comprising stamping, welding, painting and assembly facilities and supporting production and testing lines for engines and gearboxes.

The table below sets out the results of Zhejiang JV for the two years ended 31 December 2005.

	Year ended 31 December	
	2004	2005
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Profits before taxation	197,826	253,719
Profits after taxation	183,602	196,735

The net asset value of Zhejiang JV amounted to approximately HK\$1,158 million as at 31 December 2005.

INFORMATION ON SHANGHAI MAPLE JV

The Group, through a wholly-owned subsidiary, currently owns 46.81% of Shanghai Maple JV as an associate. Shanghai Maple JV has a production facility in Shanghai. The Shanghai production plant is a fully-integrated plant, comprising stamping, welding, painting and assembly facilities and supporting production and testing lines for engines and gearboxes.

The table below sets out the results of Shanghai Maple JV for the two years ended 31 December 2005.

	Year ended 31 December	
	2004	2005
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Profits before taxation	16,204	68,933
Profits after taxation	16,122	64,815

The net asset value of Shanghai Maple JV amounted to approximately HK\$524 million as at 31 December 2005.

APPROVAL BY SHAREHOLDERS

Shanghai Maple Automobile and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rule by virtue of the fact that both Shanghai Maple Automobile and Zhejiang Geely Merrie are beneficially owned by Mr. Li and his associates. As a result, the entering into of the Shanghai Maple JV Capital Increase Agreement, the 1st Zhejiang JV Capital Increase Agreement and the 2nd Zhejiang JV Capital Increase Agreement constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively and is subject to the requirements of reporting, announcement, and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

Proper Glory and Geely Group, wholly-owned by Mr. Li, holding 60.68% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement to be put forward at the EGM.

GENERAL INFORMATION

An Independent Board Committee will be appointed to advise the Independent Shareholders in respect of the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement, a letter from the Independent Board Committee and the opinion from an independent financial adviser, together with a notice convening the EGM to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement will be despatched to the Shareholders as soon as practicable.

As the 2nd Zhejiang JV Capital Increase Agreement may or may not be entered into, Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreements”	collectively the 1st Zhejiang JV Capital Increase Agreement and the Shanghai Maple JV Capital Increase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Centurion”	Centurion Industries Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement
“Geely Group”	Geely Group Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Li.

“Geely Holding”	吉利控股集團有限公司(Geely Holding Group Company Limited), a private limited liability company incorporated in Zhejiang Province, 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
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising only of independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreements and the 2nd Zhejiang JV Capital Increase Agreement
“Independent Shareholders”	Shareholders other than Mr. Li Shu Fu and his associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, a Director holding 60.68% beneficial interest in the issued share capital of the Company
“PRC”	The People’s Republic of China
“Proper Glory”	Proper Glory Holdings Inc. is a private company incorporated in the British Virgin Islands and is wholly-owned by Geely Group.
“Shanghai Maple Automobile”	上海華普汽車有限公司(Shanghai Maple Automobile Company Limited), a limited liability company incorporated in the PRC and is owned as to 90.0% by Geely Holding and as to 10.0% by 浙江華普資產管理有限公司(Zhejiang Maple Assets Management Company Limited), which is in turn owned by the senior management of Geely Holding. It is principally engaged in manufacturing and sales of automobile and related components, and manufacturing of air conditioning related parts
“Shanghai Maple JV”	上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited), a Sino-foreign joint venture established in the PRC with limited liability and owned as to 53.19% by Shanghai Maple Automobile and as to 46.81% by Value Century respectively
“Shanghai Maple JV Capital Increase Agreement”	the capital increase agreement dated 25 July 2006 entered into between上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), and Value Century which sets out the principal terms for the capital increase in Shanghai Maple JV
“Share(s)”	share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Shares(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Value Century”	Value Century Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Zhejiang Geely 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 90.0% by Geely Holding and as to 10.0% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Company Limited), which is in turn owned by the senior management of Geely Holding. It is principally engaged in manufacturing and managing of automobile, automobile power generators and related components. It is also engaged in exporting of products it produces and importing machineries, accessories and raw materials required in its business

“Zhejiang JV”	浙江吉利汽車有限公司(Zhejiang Geely Automobile Company Limited), a sino-foreign joint venture company incorporated in the PRC, and owned as to 46.81% by the Centurion and 53.19% by Zhejiang Geely Merrie Automobile Company Limited (a company incorporated in the PRC and is ultimately owned by Mr. Li and his associates)
“1st Zhejiang JV Capital Increase Agreement”	the capital increase agreement dated 25 July 2006 entered into between Zhejiang Geely Merrie Automobile Company Limited and Centurion which sets out the principal terms for the first phase capital increase in Zhejiang JV for an amount of approximately US\$93.46 million (equivalent to approximately RMB747.70 million and HK\$727.14 million)
“2nd Zhejiang JV Capital Increase Agreement”	the capital increase agreement to be entered into between Zhejiang Geely Merrie Automobile Company Limited and Centurion which sets out the principal terms for the second phase capital increase in Zhejiang JV for an amount of approximately US\$54.74 million (equivalent to approximately RMB437.94 million and HK\$425.90 million).
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United State dollars, the lawful currency of the United States of America
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in US\$ and RMB have been converted, for the purpose of illustration only, into RMB and HK\$ as follows:

$$US\$1 = RMB\$8 / HK\$7.78$$

$$RMB\$1.03 = HK\$1$$

No representation is made that any amount in HK\$ could have been or could be converted at the above rates or at any other rates or at all.

Certain English translation of Chinese names or words in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

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

Hong Kong, 25 July 2006

As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu, Mr. Gui Sheng Yue, Mr. Xu Gang, Mr. Yang Jian, Mr. Ang Siu Lun, Lawrence, Mr. Yin Da Qing, Richard, Mr. Liu Jin Liang and Mr. Zhao Jie and the independent non-executive Directors are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex.

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