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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO
THE ESTABLISHMENT OF
HUNAN GEELY AUTOMOBILE COMPONENTS COMPANY LIMITED
AND
LANZHOU GEELY AUTOMOBILE COMPONENTS COMPANY LIMITED

Financial adviser to Geely Automobile Holdings Limited



CIMB-GK Securities (HK) Limited

The Board is pleased to announce that on 26 March 2007, the Group entered into the JV Agreements to jointly establish two joint venture companies, namely the Hunan Geely JV and the Lanzhou Geely JV, with Zhejiang Haoqing in Hunan Province and Zhejiang Geely Merrie in Gansu Province respectively, to engage in the research and development, production, marketing and sales of sedan related components in the PRC.

HUNAN GEELY JV AGREEMENT

The total investment and the registered capital of the Hunan Geely JV will be US\$75,000,000.00 (equivalent to approximately HK\$585,930,000.00) and US\$25,000,000.00 (equivalent to approximately HK\$195,310,000.00) respectively. The registered capital of the Hunan Geely JV will be owned as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion, respectively.

LANZHOU GEELY JV AGREEMENT

The total investment and the registered capital of the Lanzhou Geely JV will be US\$75,000,000.00 (equivalent to approximately HK\$585,930,000.00) and US\$25,000,000.00 (equivalent to approximately HK\$195,310,000.00) respectively. The registered capital of the Lanzhou Geely JV will be owned as to 53.19% by Zhejiang Geely Merrie and as to 46.81% by Centurion, respectively.

APPROVAL BY SHAREHOLDERS

The Directors consider that the terms of the JV Agreements, all of which have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Zhejiang Haoqing and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rules by virtue of the fact that both Zhejiang Haoqing and Zhejiang Geely Merrie are beneficially owned by Mr. Li

and his associates. As the aggregate consideration under the JV Agreements exceeds 5% but is below 25% of the applicable percentage ratio as defined under Rule 14.07 of the Listing Rules, the entering into of the Hunan Geely JV Agreement and the Lanzhou Geely JV Agreement constitutes discloseable and connected transactions of the Company under Chapters 14 and 14A of the Listing Rules and is subject to the requirements of reporting, announcement, and the approval by the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

Proper Glory and Geely Group (both wholly-owned by Mr. Li, and holding in aggregate, 52.33% in the issued share capital of the Company) and their associates will abstain from voting for the resolutions to approve the JV Agreements 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 JV Agreements. Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

The Board is pleased to announce that on 26 March 2007, the Group entered into the JV Agreements to jointly establish two joint venture companies, namely Hunan Geely JV and Lanzhou Geely JV, with Zhejiang Haoqing in Hunan Province and Zhejiang Geely Merrie in Gansu Province respectively, to engage in the research and development, production, marketing and sales of sedan related components in the PRC.

HUNAN GEELY JV AGREEMENT

Date: 26 March 2007

Parties: (1) Zhejiang Haoqing
(2) Centurion

Subject matter: Establishment of a sino-foreign equity joint venture, the Hunan Geely JV, to be owned as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion, respectively.

Scope of business: To engage in the research, production, marketing and sales of sedan related components in the PRC.

Term: 50 years from the date of issue of the business licence of the Hunan Geely JV. The Hunan Geely JV will be established on the date that the relevant PRC authority issues the Hunan Geely JV with its business licence.

Capital Structure: Total investment:

US\$75,000,000.00 (equivalent to approximately HK\$585,930,000.00), determined with reference to the estimated working capital requirements of the Hunan Geely JV.

Registered capital:

US\$25,000,000.00 (equivalent to approximately HK\$195,310,000.00), which will be contributed as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion, respectively. 20% of the registered capital will be contributed within 3 months with the balance 80% of the registered capital to be contributed within 24 months following the establishment of the Hunan Geely JV in the following manners:

- (i) Centurion will contribute its 46.81% capital contribution amount of US\$11,702,500.00 (equivalent to approximately HK\$91,424,611.00) payable in cash, which will be financed by internal resources of the Group; and
- (ii) Zhejiang Haoqing will contribute its 53.19% capital contribution amount of US\$13,297,500.00 (equivalent to approximately HK\$103,885,389.00) in cash.

Profit distribution: Profits of the Hunan Geely JV will be distributed in accordance with the proportion of the registered capital to be held by Zhejiang Haoqing and Centurion, respectively.

Additional financing: To finance its further investment, the Hunan Geely JV may obtain additional funds through external financing and/or equity contribution on terms and conditions to be approved by its board of directors. Nevertheless, neither Centurion nor Zhejiang Haoqing has any obligation in the contribution of additional funding to the Hunan Geely JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the Hunan Geely JV. The directors of Centurion confirm that Centurion will not contribute additional funding to the Hunan Geely JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the Hunan Geely JV for the difference between the total investment and the registered capital amounts.

Board composition: The board of the Hunan Geely JV will comprise 4 members. Zhejiang Haoqing will have the right to nominate 2 members and Centurion will have the right to nominate 2 members, including the chairman, to the board of the Hunan Geely JV. Mr. Yang Jian, an executive director of the Company, will be the chairman of the board of the Hunan Geely JV. The quorum of board meeting will be two thirds or more of the then total number of directors and must consist of directors nominated by both Zhejiang Haoqing and Centurion.

Conditions precedent

Completion of the Hunan Geely JV Agreement is conditional upon, among other things, the following conditions precedent being satisfied on or before 31 May 2007 (or such later date as may be agreed by the parties):

- (a) the Independent Shareholders approving the establishment of the Hunan Geely JV in the extraordinary general meeting to be convened to approve the transaction; and
- (b) the relevant PRC government authority responsible for the examination and approval of sino-foreign equity joint venture enterprises having issued their approvals for the Hunan Geely JV Agreement.

If the above conditions have not been fulfilled on or before 31 May 2007 (or such later date as the parties will agree), the Hunan Geely JV Agreement will lapse and all the obligations and liabilities of the parties to the Hunan Geely JV Agreement will cease and terminate.

Upon completion of the Hunan Geely JV Agreement, the Hunan Geely JV will be owned as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion, respectively and it will be accounted for as an associated company of the Group.

LANZHOU GEELY JV AGREEMENT

Date: 26 March 2007

Parties: (1) Zhejiang Geely Merrie
(2) Centurion

Subject matter: Establishment of a sino-foreign equity joint venture, the Lanzhou Geely JV, to be owned as to 53.19% by Zhejiang Geely Merrie and as to 46.81% by Centurion, respectively.

Scope of business: To engage in the research, production, marketing and sales of sedan related components in the PRC.

Term: 50 years from the date of issue of the business licence of the Lanzhou Geely JV. The Lanzhou Geely JV will be established on the date that the relevant PRC authority issues the Lanzhou Geely JV with its business licence.

Capital Structure: Total investment:

US\$75,000,000.00 (equivalent to approximately HK\$585,930,000.00), determined mainly with reference to the estimated working capital requirements by the Lanzhou Geely JV.

Registered capital:

US\$25,000,000.00 (equivalent to approximately HK\$195,310,000.00), which will be contributed as to 53.19% by Zhejiang Geely Merrie and as to 46.81% by Centurion, respectively. 20% of the registered capital will be contributed within 3 months with the balance 80% of the registered capital to be contributed within 24 months following the establishment of the Lanzhou Geely JV in the following manners:

- (i) Centurion will contribute its 46.81% capital contribution amount of US\$11,702,500.00 (equivalent to approximately HK\$91,424,611.00) payable in cash, which will be financed by internal resources of the Group; and
- (ii) Zhejiang Geely Merrie will contribute its 53.19% capital contribution amount of US\$13,297,500.00 (equivalent to approximately HK\$103,885,389.00) in cash.

Profit distribution: Profits of the Lanzhou Geely JV will be distributed in accordance with the proportion of the registered capital to be held by Zhejiang Geely Merrie and Centurion, respectively.

Additional financing: To finance its further investment, the Lanzhou Geely JV may obtain additional funds through external financing and/or equity contribution on terms and conditions to be approved by its board of directors. Nevertheless, neither Centurion nor Zhejiang Geely Merrie has any obligation in the contribution of additional funding to the Lanzhou Geely JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the Lanzhou Geely JV. The directors of Centurion confirm that Centurion will not contribute additional funding to the Lanzhou Geely JV or to provide guarantee to a third party or financial institutions for any loan to be granted to the Lanzhou Geely JV for the difference between the total investment and the registered capital amounts.

Board composition: The board of the Lanzhou Geely JV will comprise 4 members. Zhejiang Geely Merrie will have the right to nominate 2 members and Centurion will have the right to nominate 2 members, including the chairman, to the board of the Lanzhou Geely JV. Mr. Yang Jian, an executive director of the Company, will be the chairman of the board of the Lanzhou Geely JV. The quorum of board meeting will be two thirds or more of the then total number of directors and must consist of directors nominated by both Zhejiang Geely Merrie and Centurion.

Conditions precedent

Completion of the Lanzhou Geely JV Agreement is conditional upon, among other things, the following conditions precedent being satisfied on or before 31 May 2007 (or such later date as may be agreed by the parties):

- (a) the Independent Shareholders approving the establishment of the Lanzhou Geely JV in the extraordinary general meeting to be convened to approve the transaction; and
- (b) the relevant PRC government authority responsible for the examination and approval of sino-foreign equity joint venture enterprises having issued their irrevocable and unconditional approvals for the Lanzhou Geely JV Agreement.

If the above conditions have not been fulfilled on or before 31 May 2007 (or such later date as the parties will agree), the Lanzhou Geely JV Agreement will lapse and all the obligations and liabilities of the parties to the Lanzhou Geely JV Agreement will cease and terminate.

Upon completion of the Lanzhou Geely JV Agreement, the Lanzhou Geely JV will be owned as to 53.19% by Zhejiang Geely Merrie and as to 46.81% by Centurion, respectively and it will be accounted for as an associated company of the Group.

REASONS FOR THE ENTERING INTO THE JV AGREEMENTS

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles in the PRC. As noted in the Company's 2006 interim report, the Group's medium to long term target is to upgrade and expand its production facilities. The Directors believe that the strong growth in the demand for fuel-efficient and easy-to-maintain economy sedans in the PRC is sustainable given the continued growth in the PRC economy. At present, most sedans manufactured by the Group's associates are principally geographically sold in the coastal cities of the PRC. The formation of the Hunan Geely JV and the Lanzhou Geely JV in the inner provinces of Hunan Province and in Gansu Province, respectively aims to tap into the increasing demand for Geely's and Maple's sedans in the inner cities of the PRC at a relatively lower transportation costs. Accordingly, the Directors (including the independent non-executive Directors) consider that the establishment of the Hunan Geely JV and the Lanzhou Geely JV is in the interests of the Company and the Shareholders as a whole. The Group will contribute its portion of capital contribution primarily by the dividend receivables from its associated companies.

APPROVAL BY SHAREHOLDERS

The Directors consider that the terms of the JV Agreements, all of which have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Zhejiang Haoqing and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rules by virtue of the fact that both Zhejiang Haoqing and Zhejiang Geely Merrie are beneficially owned by Mr. Li and his associates. As the aggregate consideration under the JV Agreements exceeds 5% but is below 25% of the applicable percentage ratio as defined under Rule 14.07 of the Listing Rules, the entering into of the Hunan Geely JV Agreement and the Lanzhou Geely JV Agreement constitutes discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules and is subject to the requirements of reporting, announcement, and the approval by the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

Proper Glory and Geely Group (both wholly-owned by Mr. Li, and holding in aggregate, 52.33% in the issued share capital of the Company) and their associates will abstain from voting for the resolutions to approve the JV Agreements 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 JV Agreements. Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

DEFINITIONS

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

“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, a wholly-owned subsidiary of the Company and is principally engaged in investment holding
“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 JV Agreements
“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”	浙江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 and as to 27.3% by Mr. Li Xu Bing, brother of Mr. Li, respectively
“Group”	the Company and its subsidiaries
“Hunan Geely JV”	湖南吉利汽車部件有限公司 (Hunan Geely Automobile Components Company Limited), a sino-foreign joint venture to be established in the PRC with limited liability which will be owned as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion respectively
“Hunan Geely JV Agreement”	the joint venture agreement dated 26 March 2007 entered into between Zhejiang Haoqing and Centurion which sets out the principal terms for the establishment of the Hunan Geely JV
“Independent Board Committee”	the independent committee of the Board comprising only the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the JV Agreements

“Lanzhou Geely JV “	蘭州吉利汽車部件有限公司 (Lanzhou Geely Automobile Components Company Limited), a sino-foreign joint venture to be established in the PRC with limited liability which will be owned as to 53.19% by Zhejiang Geely Merrie and as to 46.81% by Centurion respectively
“Lanzhou Geely JV Agreement”	the joint venture agreement dated 26 March 2007 entered into between Zhejiang Geely Merrie and Centurion which sets out the principal terms for the establishment of the Lanzhou Geely JV
“Independent Shareholders”	Shareholders other than Mr. Li 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 52.33% beneficial interest in the issued share capital of the Company
“JV Agreements”	collectively the Hunan Geely JV Agreement and the Lanzhou Geely JV Agreement
“PRC”	The People’s Republic of China
“Proper Glory”	Proper Glory Holding Inc., a company incorporated in the British Virgin Islands and is wholly-owned by the Geely Group
“Quam Capital”	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the JV Agreements
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	share(s) of HK\$0.02 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	The United States of America
“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) respectively, 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 also engaged in exporting of products it produces and importing machineries, accessories and raw materials required in its business

“Zhejiang Haoqing”	浙江豪情汽車制造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited), a company incorporated in the PRC with limited liability, and is beneficially owned as to 90% by Geely Holding and 10% by 浙江華普資產管理有限公司 (Zhejiang Maple Asset Management Co. Ltd) respectively, which is in turn owned by the senior management of Geely Holding. It is principally engaged in manufacturing and distribution of Haoqing’s series models
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent.

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

$$US\$1 = HK\$7.8124$$

No representation is made that any amount in HK\$ could have been or could be converted at the above rate 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, 26 March 2007

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, Mr. Zhao Jie and Dr. Zhao Fuquan 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.