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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)

FINANCIAL HIGHLIGHTS:

Revenue of the Group for 2007 was approximately HK\$137 million, representing an increase of approximately HK\$10 million (8%) over 2006.

Profit attributable to equity holders of the Company for 2007 was approximately HK\$315 million, representing an increase of approximately HK\$106 million (51%) over 2006.

Share of results of associates for 2007 was approximately HK\$352 million, representing an increase of approximately HK\$109 million (45%) over 2006.

Basic earnings per share for 2007 was approximately HK6.38 cents (2006: HK5.05 cents).

The Board decides to recommend payment of a final dividend of HK\$0.013 per share, and such proposal is subject to approval by shareholders of the Company at the annual general meeting to be held on 22 May 2008.

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007, together with the comparative figures for 2006 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover/Revenue	4	137,209	127,006
Cost of sales		<u>(121,251)</u>	<u>(110,036)</u>
Gross profit		15,958	16,970
Other income	5	31,899	18,224
Distribution and selling expenses		(3,182)	(3,016)
Administrative expenses		(47,285)	(22,542)
Finance costs	7	(35,103)	(32,390)
Fair value gain/(loss) on embedded derivative components of convertible bonds		5,654	(4,742)
Share of results of associates	10	<u>351,832</u>	<u>243,230</u>
Profit before taxation		319,773	215,734
Taxation	6	<u>(1,673)</u>	<u>(1,585)</u>
Profit for the year	7	<u>318,100</u>	<u>214,149</u>
Attributable to :			
Equity holders of the Company		314,658	208,752
Minority interests		<u>3,442</u>	<u>5,397</u>
		<u>318,100</u>	<u>214,149</u>
Dividends	8	<u>67,614</u>	<u>57,327</u>
Earnings per share			
Basic	9	<u>HK6.38 cents</u>	<u>HK5.05 cents</u>
Diluted	9	<u>HK6.28 cents</u>	<u>HK4.95 cents</u>

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		32,246	12,282
Interest in associates	10	<u>2,125,456</u>	<u>1,666,999</u>
		<u>2,157,702</u>	<u>1,679,281</u>
Current assets			
Inventories		14,498	9,910
Trade and other receivables	11	68,171	59,065
Dividend receivables from associates		3,560	74,840
Financial assets at fair value through profit or loss		4,681	–
Bank balances and cash		<u>793,421</u>	<u>20,972</u>
		<u>884,331</u>	<u>164,787</u>
Current liabilities			
Trade and other payables	12	38,725	23,653
Amount due to an associate		127	–
Amount due to immediate holding company		–	11,220
Taxation		731	293
Convertible bonds - embedded derivatives		19,460	53,888
Short-term bank borrowings (secured)	11(b)	<u>20,516</u>	<u>22,250</u>
		<u>79,559</u>	<u>111,304</u>
Net current assets		<u>804,772</u>	<u>53,483</u>
Total assets less current liabilities		<u><u>2,962,474</u></u>	<u><u>1,732,764</u></u>
CAPITAL AND RESERVES			
Share capital	13	104,022	83,028
Reserves		<u>2,337,418</u>	<u>947,129</u>
Equity attributable to equity holders of the Company		2,441,440	1,030,157
Minority interests		<u>211,760</u>	<u>19,769</u>
Total equity		<u>2,653,200</u>	<u>1,049,926</u>
Non-current liabilities			
Convertible bonds		<u>309,274</u>	<u>682,838</u>
		<u><u>2,962,474</u></u>	<u><u>1,732,764</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 in effect at that time has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

The Group has not early applied new standards, amendments and interpretations that have been issued but are not yet effective. HKAS 1 (revised) (effective from 1 January 2009) affects the presentation of owner changes in equity and introduces a statement of comprehensive income. This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment information has been presented for the years ended 31 December 2007 and 31 December 2006 as the directors considered that the Group is principally engaged in manufacturing and trading of automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the years.

Geographical segments

The Group's activities and operations are based in the People's Republic of China (the "PRC"). Accordingly, no geographical analysis is presented.

4. TURNOVER/REVENUE

Turnover/revenue represents the consideration received and receivable from sales, net of discounts, returns and related sales taxes, of automobile parts and components.

5. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank interest income	20,334	13,401
Net exchange gain	–	3,929
Net gain on financial instruments at fair value through profit and loss that are classified as held for trading (forward foreign exchange contracts not used for hedging)	4,681	–
Net claims income on defected materials purchased	1,276	–
Excess of fair value of identified net assets acquired over cost in respect of acquisition of additional interests in a subsidiary	2,553	–
Sundry income	<u>3,055</u>	<u>894</u>
	<u><u>31,899</u></u>	<u><u>18,224</u></u>

6. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax :		
PRC foreign enterprise income tax, current year	<u><u>1,673</u></u>	<u><u>1,585</u></u>

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profits in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to an exemption from PRC foreign enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The income tax provision is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

The tax charge for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation	<u>319,773</u>	<u>215,734</u>
Tax at the PRC enterprise income tax rate of 33%	105,525	71,192
Tax effect of expenses not deductible in determining taxable profit	10,379	5,885
Tax effect of non-taxable income	(118,092)	(80,266)
Tax effect of different tax rates of entities operating in other jurisdictions	6,600	6,824
Effect of tax exemption granted to PRC subsidiaries	<u>(2,739)</u>	<u>(2,050)</u>
Tax expense for the year	<u>1,673</u>	<u>1,585</u>

The applicable tax rate is the PRC's foreign enterprise income tax rate of 33% (2006: 33%). On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1 January 2008. In respect of tax holidays, for those enterprises which have already started their tax holidays before 2008, they are able to enjoy the remaining tax holidays until expiry whereas for those enterprises which have not yet started their tax holidays before 2008, the tax holidays will be deemed to start from 1 January 2008 and they are able to enjoy the remaining tax holidays until expiry.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Finance costs		
Effective interest expense on convertible bonds	35,103	32,289
Interest on bank borrowings wholly repayable within one year	<u>–</u>	<u>101</u>
	<u>35,103</u>	<u>32,390</u>
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	17,699	13,181
Retirement benefit scheme contributions	974	481
Recognition of share based payments (included in administrative expenses)	<u>5,460</u>	<u>4,660</u>
	<u>24,133</u>	<u>18,322</u>
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other items		
Cost of inventories recognised as expense	121,251	110,036
Auditors' remuneration	1,596	1,192
Depreciation	2,282	1,403
Net exchange loss	9,881	–
Operating leases charges on premises	<u>1,289</u>	<u>1,220</u>

8. DIVIDENDS

A final dividend for the year ended 31 December 2005 of HK\$0.01 per share amounting to approximately HK\$41,203,000 was paid to the shareholders during the year ended 31 December 2006.

A final dividend and a special dividend for the year ended 31 December 2006 of HK\$0.01 per share and HK\$0.002 per share respectively, amounting to approximately HK\$57,327,000 were paid to the shareholders during the year.

A final dividend for the year ended 31 December 2007 of HK\$0.013 per share amounting to approximately HK\$67,614,000 has been proposed by the Board of Directors after the balance sheet date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ended 31 December 2008 if it is approved by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$314,658,000 (2006: HK\$208,752,000) and weighted average number of ordinary shares of 4,930,320,263 shares (2006: 4,134,231,655 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at 1 January	4,151,388,496	4,120,264,902
Effect of new shares issued	526,027,397	–
Effect of shares issued upon conversion of convertible bonds	<u>252,904,370</u>	<u>13,966,753</u>
Weighted average number of ordinary shares at 31 December	<u><u>4,930,320,263</u></u>	<u><u>4,134,231,655</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company of HK\$314,658,000 (2006: HK\$245,783,000) and the weighted average number of ordinary shares of 5,011,783,093 shares (2006: 4,969,511,119 shares), calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	2007	2006
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders)	314,658	208,752
After tax effect of effective interest on the liability component of convertible bonds	–	32,289
After tax effect of fair value losses on the derivative embedded in convertible bonds	–	4,742
Earnings for the purpose of diluted earnings per share	<u>314,658</u>	<u>245,783</u>

(ii) Weighted average number of ordinary shares (diluted)

	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,930,320,263	4,134,231,655
Effect of deemed conversion of convertible bonds	–	802,134,831
Effect of deemed issue of shares under the Company's share option scheme	<u>81,462,830</u>	<u>33,144,633</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,011,783,093</u>	<u>4,969,511,119</u>

The effect of deemed conversion of convertible bonds is anti-dilutive for the current year. These outstanding convertible bonds may have a dilutive effect on the earnings per share in future years.

10. INTERESTS IN ASSOCIATES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Share of net assets	2,106,516	1,666,999
Goodwill	<u>18,940</u>	<u>–</u>
	<u>2,125,456</u>	<u>1,666,999</u>
Represented by:		
Cost of investments in associates		
Unlisted	846,642	1,033,937
Listed in overseas	203,732	–
Share of post-acquisition profits and reserves	1,056,142	633,062
Goodwill	<u>18,940</u>	<u>–</u>
	<u>2,125,456</u>	<u>1,666,999</u>
Fair value of listed investments	<u>495,378</u>	<u>–</u>

During the year, the Group, a related party and Manganese Bronze Holdings plc (“MBH”), a company which shares are listed on the London Stock Exchange, jointly set up a sino-foreign equity joint venture, Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”) in which the Group, the related party and MBH own 51%, 1% and 48% respectively. MBH raised the funds required for satisfying its share of the capital contribution to Shanghai LTI by issuing 5,700,000 ordinary shares to the Group. As a result, the Group becomes the holder of 22.83% of the equity shares of MBH and MBH becomes an associate of the Group. Details of the incorporation of Shanghai LTI and the acquisition of interest in MBH are set out in the Company’s circular dated 2 April 2007.

The summarised financial information in respect of the Group’s associates is set out below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Total assets	10,310,038	6,949,568
Total liabilities	<u>(5,402,959)</u>	<u>(3,388,365)</u>
Net assets	<u>4,907,079</u>	<u>3,561,203</u>
Group’s share of net assets of associates	<u>2,125,456</u>	<u>1,666,999</u>
Revenue	<u>12,054,701</u>	<u>6,588,845</u>
Profit for the year attributable to equity holders of the associates	<u>757,811</u>	<u>519,611</u>
Group’s share of results of associates for the year	<u>351,832</u>	<u>243,230</u>

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade and notes receivables			
Trade receivables from an associate	<i>(a)</i>	18,310	20,538
Notes receivables	<i>(b)</i>	<u>43,397</u>	<u>37,405</u>
		<u>61,707</u>	<u>57,943</u>
Other receivables			
Deposits, prepayments and other receivables		<u>6,464</u>	<u>1,122</u>
		<u>68,171</u>	<u>59,065</u>

(a) Trade receivables

The Group allows a credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of the trade receivables at the balance sheet dates:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 - 60 days	18,310	20,503
61 - 90 days	<u>–</u>	<u>35</u>
	<u>18,310</u>	<u>20,538</u>

All the trade receivables as at the balance sheet dates have not been past due and not provided for impairment loss. The Group does not hold any collateral over these balances.

(b) Notes receivables

All notes receivables are denominated in Renminbi (“RMB”) and are primarily notes received from an associate for settlement of trade receivable balances. At 31 December 2007 and 2006, all notes receivables were guaranteed by established banks in the PRC and have maturities of six months or less from 31 December.

During the year, the Group has discounted notes receivables to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of notes receivables and has recognised the cash received as secured short-term bank borrowings, which is wholly repayable within one year, as reported in the consolidated balance sheet. At the balance sheet date, the carrying amount of discounted notes receivables and the associated financial liabilities was HK\$20,516,000 (2006: HK\$22,250,000). The effective interest rate for the short-term bank borrowings on discounting notes receivables is approximately 3.18% (2006: 3.72%) per annum.

12. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payable		
To third parties	31,047	19,498
Other payables		
Accrued charges and other creditors	<u>7,678</u>	<u>4,155</u>
	<u>38,725</u>	<u>23,653</u>

The following is an aged analysis of trade payables at the balance sheet dates:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 - 60 days	24,872	16,379
61 - 90 days	4,143	1,407
Over 90 days	<u>2,032</u>	<u>1,712</u>
	<u>31,047</u>	<u>19,498</u>

13. SHARE CAPITAL

	<i>Note</i>	Number of shares	Nominal value <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.02 each			
At 1 January 2006 and 31 December 2006		8,000,000,000	160,000
Creation of additional shares	(a)	<u>4,000,000,000</u>	<u>80,000</u>
At 31 December 2007		<u>12,000,000,000</u>	<u>240,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.02 each			
At 1 January 2006		4,120,264,902	82,405
Shares issued upon conversion of convertible bonds		<u>31,123,594</u>	<u>623</u>
At 31 December 2006		4,151,388,496	83,028
Issue of shares for cash	(b)	600,000,000	12,000
Share issued upon conversion of convertible bonds	(c)	<u>449,694,954</u>	<u>8,994</u>
At 31 December 2007		<u>5,201,083,450</u>	<u>104,022</u>

Note:

- (a) By a special resolution passed at an extraordinary general meeting held on 22 November 2007, the authorised share capital of the Company was increased to HK\$240,000,000 by the creation of additional 4,000,000,000 ordinary shares of HK\$0.02 each.
- (b) During the year, the Company issued 600,000,000 ordinary shares (2006: Nil) of HK\$0.02 each at a subscription price of HK\$1.06 per share for cash to provide for additional working capital of the Group and to finance the investment in Shanghai LTI. These shares rank pari passu with the existing shares in all respects.
- (c) During the year, convertible bonds of principal amount of HK\$395,990,000 (2006: HK\$27,700,000) have been converted into 449,694,954 ordinary shares (2006: 31,123,594) of the Company at a conversion price HK\$0.89 per share and HK\$0.88 per share before and after the distribution of 2006 final dividends and special dividends, respectively. These shares rank pari passu with the existing shares in all respects.

14. COMPARATIVE AMOUNTS

Certain comparative figures on the consolidated balance sheet in respect of convertible bonds – embedded derivatives have been reclassified to conform with current year’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group’s turnover amounted to HK\$137 million for the year ended 31 December 2007, up 8% from the previous year. Profit attributable to the equity holders of the Company amounted to HK\$315 million, representing an increase of 51% over 2006. The large increase in net profit was attributable to the strong growth in profit contributions from the Group’s four operating associates - Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”), Shanghai Maple Guorun Automobile Company Limited (“Shanghai Maple”), Zhejiang Kingkong Automobile Company Limited (“Zhejiang Kingkong”) and Zhejiang Ruhoo Automobile Company Limited (“Zhejiang Ruhoo”) - (collectively referred as the “operating associates”). Their strong earnings growth, particularly in the second half of 2007, was mainly due to the initial success achieved by the operating associates’ strategic transformation into higher value-added products, as evidenced by the strong performance of the three higher-end models launched over the last two years including the 2008 version of “Free Cruiser” economy sedans, the “Vision” mid-end sedans, and the “Geely Kingkong” family sedans. Significant achievements by the operating associates in improving customer satisfactions, and product reliability and quality also contributed to the improved profitability during the later part of the year.

Business Overview

The demand for sedans in China market continued to register strong growth in 2007 despite intensified price pressure. In particular, the economy car segment experienced amongst the most difficult period in recent years with a few major players adopting aggressive pricing strategy to cut product prices repeatedly, hoping to regain market shares in China, resulting in heavy price pressure on most economy car manufacturers in China. Moreover, demand for smaller sized economy sedans experienced a cyclical decline during the year with the sales volume of economy sedans with engine size of 1.3L or below falling almost 25% in 2007 from previous year.

In response, the Group's operating associates reduced the retail prices for most of their models by 5-10% during 2007. Despite the severe challenges and difficulties, and thus a less than exciting sales and earnings performance in the first half of 2007, the Group still managed to achieve respectable results for the full year period in 2007, helped by the significant effort by the Group's operating associates to improve customer satisfactions, production quality and reliability and to enhance their brand images during 2007 and the tremendous success of two strategic new product launches in the second half of 2007, including the 2008 version of "Free Cruiser" and the operating associates' first mid-end sedan model "Vision". The significant improvement in product mix towards higher-priced models had more than offset the price cuts by existing models and rising costs due to higher raw material prices and increasingly stringent environmental and safety requirements in China. These three higher priced models including "Free Cruiser", "Geely Kingkong" and "Vision" accounted for 63% of the operating associates' total sales volume in 2007, a significant improvement from less than 40% in 2006, putting the operating associates in a much better position to cushion the pressure from rising costs.

During 2007, the Group's operating associates - Zhejiang Geely, Shanghai Maple, Zhejiang Ruhoo and Zhejiang Kingkong - sold 181,517 units of Geely and Maple sedans, up 10% over 2006, achieving combined market share of around 4% in China's passenger car market in 2007.

Performance at the Group's 51%-owned parts subsidiary Zhejiang Fulin Guorun Automobile Parts and Components Company Limited ("Zhejiang Fulin") was satisfactory and was in line with the management expectations in 2007 with an 8% increase in revenues during the year. The dramatic fall in the sales volume of low-end models by the Company's operating associates has resulted in slower demand for Zhejiang Fulin's products. This, coupled with rising raw material costs and disruption to production due to the relocation of manufacturing facilities to new location in 2007, resulted in lower margin achieved by Zhejiang Fulin in 2007. Net profit at Zhejiang Fulin was therefore only flat at around HK\$12 million in 2007. Despite continued pressure from higher raw material costs, Zhejiang Fulin's earnings growth should improve towards the later part of 2008, helped by the commencement of large scale production of new generation of EPS and braking system for the operating associates' new higher end products like "Free Cruiser", "Geely Kingkong" and "Vision" models.

A key milestone for the Group in 2007 was the Group's investment in a 51% stake in Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), a newly created specialty manufacturer of taxis, limousine vehicles and luxury saloon cars in Shanghai, and a related investment in a 22.83% stake in UK-listed Manganese Bronze Holdings plc ("MBH"), the other major shareholder of Shanghai LTI and the manufacturer of the iconic "London Taxi" vehicles. The transaction marked an important step by the Group to further broaden its product line to higher value-added products and to expand internationally, utilizing existing expertise, products, technologies and brand and other resources, which are amply available in the global auto industry. The cooperation also represents an interesting and competitive combination of a long established and well-known English brand with the associates' proven advantages in power-train technology and cost effective manufacturing.

Shanghai LTI started operation in June 2007 and is on track to start trial production of TX4 model of London taxis in Shanghai in the second half of 2008. Shanghai LTI recorded a net loss of HK\$5 million in 2007 due to start up costs of the joint-venture and exchange losses. As part of the deal related to the establishment of Shanghai LTI, the Group also invested in 22.83% stake in UK-listed Manganese Bronze Holdings plc in mid-2007. MBH's performance during the final five months of 2007 was in line with expectations. With the scheduled commencement of the production of localized version of the TX4 models of London taxi at Shanghai LTI in the later part of 2008, the performance of MBH should improve further in the near future.

Outlook

Although competition in China's sedan market continues to intensify, we expect the growth of China's sedan sales volume to be maintained at around 20% per annum in the coming few years. According to the figures compiled by the China Association of Automobile Manufacturers, total sales volume of sedans in China amounted to 4.73 million units in 2007, up 23% from the previous year. However, sales of smaller sized cars have slowed down significantly since the end of 2006. In particular, sales volume of sedans with engine size of 1.3L or less was down almost 25% YoY in 2007, reflecting an interesting shift in preference for larger size cars by Chinese consumers, probably a result of the increasing need for longer distance intra city travel and a strong domestic stock market during 2007, which is reported to have prompted potential car buyers to delay their car purchase plans to spare more funds for investment in the local stock market. As a result of the dramatic slow down in the demand for smaller cars, most small car manufacturers have decided to adopt a more aggressive pricing strategy, resulting in several rounds of competitive price cuts since the beginning of 2007, resulting in tremendous price pressures in the economy car segment during the year. In addition, the rapidly rising raw material prices in China and the Chinese government's introduction of more stringent environmental and safety requirements have put substantial cost pressure on car manufacturers in China. Despite these, the very difficult market condition, which has resulted in dramatic fall in sales volume and major deterioration in profitability amongst most economy car manufacturers in China, has so far only limited impact on the Group's performance, thanks to the Group's well timed transformation to broaden its product range to include more higher priced models over the past few years.

To cope with the rapid changes in market environment, the Group has reduced the retail prices of its products by 5-10% in 2007. In addition, more resources have been allocated to improve the Group's brand images, product mix, customer services and the quality and technology standards of its products, aiming to enhance the Group's pricing power through differentiating the Group's products from the products offered by other Chinese sedan manufacturers. Additional efforts were also spent to promote exports sales in order to compensate for the shortfall in the domestic demand. Major restructuring in various business areas including the research and development department, the auto parts procurement system, and the suppliers' system have been implemented to further reduce cost and improve product quality. A management reshuffle also happened in Shanghai Maple, aiming to revive the profitability of the Maple sedans. Major restructuring of the Group's dealers and distribution network has also started to improve the effectiveness of the Geely sedans' market penetration. With the considerable effort spent in 2007, we believe the Group's profitability and its shareholders' returns should continue to improve in the coming years. We expect the operating associates to sell a total of 230,000 units of vehicles in 2008, up 27% from 2007.

In the medium to longer term, the Group will continue to upgrade and expand our production facilities to improve quality and reduce costs, to build new production facilities in less developed provinces to develop new markets and generate additional demand for Geely and Maple sedans, to invest in product and technology innovation in order to differentiate our products from the rest of the market, and to establish strategic alliances with major suppliers to reduce volatility of raw material and component costs, with an aim to develop the Group into an internationally competitive sedan manufacturer.

The Group's major achievements in 2007, including the successful launch of Geely's first mid-end sedan model: "Vision" and the significant improvement in product mix to include more higher-priced products, should pave way for the Group's operating associates to achieve its sales target in 2008, and the substantial effort devoted to restructure the associates' parts procurement system and dealers' network, should have built up a good foundation for the Group's sustained long-term growth in the future.

CAPITAL STRUCTURE AND TREASURY POLICIES

The business activities of the Group are mainly financed by the share capital, dividends received from the Group's two major associates, net proceeds from the top-up placement of 600 million shares issued by the Company in February 2007. As at 31 December 2007, the Group's shareholders' funds amounted to approximately HK\$2,441 million (As at 31 December 2006: approximately HK\$1,030 million). Save for the 600 million shares issued for the top-up placement in February 2007 and 449,694,954 shares issued upon conversion of convertible bonds, no further shares were issued by the Group during the period.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group considers that fluctuations in exchange rate do not impose a significant risk to the Group since the Group's operations are principally in the Mainland China and Hong Kong and all assets and liabilities are denominated either in Renminbi or Hong Kong dollars.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group's current ratio (current assets/current liabilities) was 11.12 (As at 31 December 2006: 1.48 (restated)) and the gearing ratio of the Group was 14% (As at 31 December 2006: 70%) which was calculated on the Group's total borrowings to total shareholders' equity. Total borrowings (excluding the embedded derivatives of the Company's convertible bonds and trade and other payables) as at 31 December 2007 amounted to approximately HK\$330 million (As at 31 December 2006: approximately HK\$716 million) were mainly the Company's convertible bonds and short-term bank borrowings (secured). For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on maturity. For the bank borrowings, they were secured by notes receivables, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2007, the total number of employees of the Group including associates was about 8,813 (As at 31 December 2006: 9,498). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.013 per ordinary share for the year ended 31 December 2007. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 22 May 2008. Upon shareholders' approval, the proposed final dividend will be paid on 25 June 2008 to shareholders whose names shall appear on the register of members of the Company on 22 May 2008.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 May 2008 to Thursday, 22 May 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited, at Rooms 1901-2, Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 19 May 2008.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the requirements as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Listing Rules on the Stock Exchange of Hong Kong Limited, except for the deviation from CG Code E.1.2.2 in respect of the presence of the chairman of the Board at the annual general meeting of the Company. Details will be disclosed in the Company’s 2007 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by Officer (the “Code”). All directors of the Company have confirmed their compliance during the year with the required standards set out in the Model Code and the Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Audit Committee currently comprises Mr. Lee Cheuk Yin, Dennis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2007.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Thursday, 22 May 2008. A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

ANNOUNCEMENT OF ANNUAL REPORT ON THE WEB SITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2007 annual report will set out all information disclosed in the annual results announcement for 2007 and will be disclosed on the websites of the Company (<http://www.geelyauto.com.hk>) and the Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) on or before 30 April 2008.

By Order of the Board of
Geely Automobile Holdings Limited
Li Shu Fu
Chairman

Hong Kong, 16 April 2008

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

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 statement in this announcement misleading.