Geely Automobile Holdings Limited
Announced Interim Results for the Six Months Ended 30 June 2007
Net Profit Declined by 32% to HKD82 million

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Strategic Transformation From Price Competitive to Technology Competent

(HONG KONG, 7 September 2007)--- Geely Automobile Holdings Limited ("Geely Automobile"/the "Company") (Stock code: 175) and its subsidiaries (the "Group") today announced the interim results for the period ended 30 June 2007. During the period under review, Geely Automobile’s turnover was 5% lower compared with the corresponding period last year to approximately HKD66 million. Profit attributable to shareholders amounted to HKD82 million, representing a decrease of 32% below the same period in 2006. The decline in net profit was mainly due to the 6% decrease in profit contributable from the Company’s four 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"), the startup costs of Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") which is the Company’s new joint venture with Manganese Bronze Holdings PLC ("Manganese Bronze"), and the large increase in the net non-cash expenses related to the outstanding convertible bonds. The decline in net profit of the Company’s four associates, was mainly due to the decline in the sales volume of low end sedans and a 5 to 6% price cuts during the first half of 2007 for most of their models, which had more than offset the increased profit contribution from new models like "Geely Kingkong". Earnings per share were HKD1.77 cents (2005: HKD2.93 cents). Excluding the non-cash expenses related to the outstanding convertible bonds, the Company’s net profit decline would narrow to only 12%. The Board of Directors do not recommend the payment of an interim dividend for the period ended 30 June 2007.
In the aspect of automobile parts manufacturing, the earnings performance of the company’s 51%-owned auto parts subsidiary Zhejiang Fulin in the first half of 2007 was also affected by the slower sales of Geely sedans. As a result, Zhejiang Fulin’s net profit decreased by around 11% to HKD5.3 million during the period. Zhejiang Fulin had started to supply new generation of Electric Power Steering ("EPS") for higher-end Geely sedans in the first half of 2007. This, coupled with the relocation of production to new facilities completed in mid-2007, should help to improve Zhejiang Fulin’s production efficiency and further reduce its production costs. Based on the existing production plan and the progress of new product launches, the Company is still confident that Zhejiang Fulin’s performance should improve in the second half of 2007.

As for vehicle manufacturing, the Company’s 46.8%-owned Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong and Zhejiang Ruhoo remained the key earnings contributors to the Company, accounting for the bulk of the Company’s earnings in the first half of 2007. The four operating associates sold a total of 84,111 units of vehicles in the first six months of 2007, representing a decrease of 3% from the restated sales volume compared with the same period last year. The Group’s recorded total net profit of HKD277 million with 6% year-on-year decrease and 52% increase in total revenue to HKD5,006 million. The combined market share of Geely and Maple sedans declined from 4.3% in 2006 to 3.7% in the first half of 2007 due to the dramatic drop in the sales volumes of the low-priced models, as a result of the Group’s strategic transition towards more performance and technology driven products. Despite the slight decline in sales volume, the four associates continued to improve their product mix towards higher-priced models through the introduction of more higher-priced models. Sales of the three higher-priced models accounted for 59% of their total sales volume in the first half of 2007 compared with only 36% sales achieved during the same period in 2006. Although "Vision", the associates’ key new product in 2007, was only officially launched in May 2007, the market response has been encouraging so far with a total of 2,622 units sold in the first half of 2007.

According to the figures compiled by the China Association of Automobile Manufacturers, total sales volume of sedans in China went up by almost 26% from the previous year. However, sales of smaller sized cars have slowed down significantly since the end of 2006. 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 and tremendous price pressures in the economy car segment so far this year. Despite this, the very difficult market conditions so far has only limited impact on the Company’s performance, thank to the Group’s well-timed transformation to broaden its product range over the past few years.

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In view of the less than satisfactory performance in the first half of 2007, featured by dramatic fall in the sales volume of the Group’s low end sedan models, which have long been the key contributors to the Group’s total sales volume, we have decided to revise downwards our full year sales target from 240,000 units to 190,000 units, which still represents a respectful growth of 16% over 2006. In the first half of 2007, the total unites of vehicles sold by the Company’s four associates achieved 44% of their revised combined full year sales volume target.

The Group’s major achievements in the first half of 2007, including the successful launch of mid-end sedan model “Vision”, the significant 47% improvement in average unit sales price to almost HKD54,000 per car, and thus a huge increase in the operating associates’ half year sale revenue to over HKD5 billion benchmark, paving way for the Group’s operating associates to achieve its target of surpassing HKD10 billion in revenue in 2007. Moreover, 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.

The representative of Geely Automobile concluded, “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. 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, we expect the Group’s performance to show further improvement in the future.”

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About Geely Automobile Holdings Limited (175)

The Group is principally engaged in automobile manufacturing. Geely Automobile entered into the Joint Venture Agreement to establish the JV Company with the subsidiary of Zhejiang Geely Holding Group Ltd., Zhejiang Geely Automobiles, on 30 March 2003. The JV Company is named “Zhejiang Geely Guorun Automobile Company Limited” and engages in the manufacture of economic class sedans in Beilun Economic and Technological Development Zone, Ningbo, Zhejiang Province. Geely Automobile owned 46.8% of the share capital of the JV Company. The company’s name was subsequently changed to Zhejiang Geely Automobile Company Limited on 23 March 2004. In October 2003, the Group also entered into an agreement with Zhejiang Geely Holding Group Ltd. to establish “Shanghai Maple Guorun Automobile Company Limited”. Geely Automobile was interested in 46.8% of the shareholdings. In May 2004, the Group’s 46.8%-owned associate Zhejiang Geely Automobile Co. Limited agreed to acquire 90% shareholdings of the Zhejiang Haoqing Automobile Manufacturing Company Limited and the paid research and development cost of car model CK-1. At the same time, its another 46.8%-owned associate Shanghai Maple Guorun Automobile Co. Ltd. also agreed to acquire 90% shareholdings of Zhejiang Geely Automobile Research Institute Ltd. and 90% shareholdings of Ningbo Geely Engine Research Institute Ltd. In October 2006, the Group set up another two 46.8%-owned joint-venture with Geely Holding Limited through transferring the production facilities in Linhai and Luqiao from Zhejiang Geely to the two new associates called Zhejiang Kingkong Automobile Company Limited and Zhejiang Ruhoo Automobile Company Limited.

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