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If you have sold or transferred all your shares in Geely Automobile Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 ESTABLISHMENT OF
ZHEJIANG KINGKONG AUTOMOBILE COMPANY LIMITED
AND
ZHEJIANG RUHOO AUTOMOBILE COMPANY LIMITED
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Financial adviser to Geely Automobile Holdings Limited



CIMB-GK Securities (HK) Limited

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from Taifook Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 25 of this circular.

A notice convening the EGM of Geely Automobile Holdings Limited to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 December 2006 at 9:30 a.m. is set out on pages 42 to 46 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

28 November 2006

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DEFINITIONS

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

“Articles”	the articles of association of the Company
“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 and the amendments to the Articles
“Fulin Guorun”	Zhejiang Fulin Guorun Automobile Parts & Components Co. Ltd., a company incorporated in the PRC, and owned as to 51% by Centurion and 49% by Zhejiang Fulin Automobile Parts & Components Co. Ltd., an independent third party respectively
“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, the brother of Mr. Li, respectively
“Geely Holding Limited”	吉利集團有限公司 (Geely Holding Limited), a private limited liability company incorporated in Zhejiang Province, the PRC, and is owned as to 55% by Mr. Li and as to 45% by Mr. Li Xu Bing, the brother of Mr. Li, respectively. It is principally engaged in investment holding

DEFINITIONS

“Geely Holding Assets”	20 parcels of conjoining land with a total site area of approximately 807,102 sq.m. on which are constructed 13 buildings with a total gross floor area of approximately 148,108.49 sq.m. and various ancillary structures located at Luqiao District, Taizhou City, Zhejiang Province, the PRC, which are currently owned by Geely Holding Limited and its subsidiaries
“Geely Holding Asset Value”	RMB591,648,000.00 (equivalent to approximately HK\$579,592,476.49), represents the aggregated amount of the estimated market value and the estimated reference value of the Geely Holding Assets performed by an independent valuer
“Group”	the Company and its subsidiaries
“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
“Independent Shareholders”	Shareholders other than Mr. Li and his associates
“JV Agreements”	collectively the Zhejiang Kingkong JV Agreements and the Zhejiang Ruhoo JV Agreements
“Latest Practicable Date”	24 November 2006, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, a Director holding 60.22% beneficial interest in the issued share capital of the Company
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
“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

DEFINITIONS

“Sallmanns”	Sallmanns (Far East) Limited, an independent property valuer of the Company
“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
“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 90.00% by Geely Holding and as to 10.00% 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental JV Agreements”	collectively the Zhejiang Kingkong Supplemental JV Agreement and the Zhejiang Ruhoo Supplemental JV Agreement
“Taifook Capital”	Taifook 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
“Value Century”	Value Century Group 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

DEFINITIONS

“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 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 as to 10% by 浙江華普資產管理有限公司 (Zhejiang Maple Assets Management Co. Ltd), which is in turn owned by the senior management of Geely Holding
“Zhejiang Haoqing Assets”	2 parcels of land with a total site area of approximately 387,251.59 sq.m. on which are constructed 10 buildings with a total gross floor area of approximately 125,461.50 sq.m. and various ancillary structures located at Dingjiayang Village, Dayang Street, Linhai City, Zhejiang Province, the PRC, which are currently owned by Zhejiang Haoqing
“Zhejiang Haoqing Asset Value”	RMB318,320,000 (equivalent to approximately HK\$311,833,855.80), represents the market value of the Zhejiang Haoqing Assets performed by an independent valuer
“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 Centurion and 53.19% by Zhejiang Geely Merrie respectively
“Zhejiang Kingkong JV”	浙江金剛汽車有限公司 (Zhejiang Kingkong Automobile 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 Geely Holding Limited and as to 46.81% by Centurion respectively

DEFINITIONS

“Zhejiang Kingkong JV Agreements”	the joint venture agreement dated 25 October 2006 entered into between Geely Holding Limited and Centurion (as amended by the Zhejiang Kingkong Supplemental JV Agreement dated 27 November 2006) which sets out the principal terms for the establishment of the Zhejiang Kingkong JV
“Zhejiang Kingkong Supplemental JV Agreement”	the supplemental agreement dated 27 November 2006 entered into between Geely Holding Limited and Centurion which sets out the revised terms for the establishment of the Zhejiang Kingkong JV
“Zhejiang Ruhoo JV”	浙江陸虎汽車有限公司 (Zhejiang Ruhoo Automobile 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
“Zhejiang Ruhoo JV Agreements”	the joint venture agreement dated 25 October 2006 entered into between Zhejiang Haoqing and Centurion (as amended by the Zhejiang Ruhoo Supplemental JV Agreement dated 27 November 2006) which sets out the principal terms for the establishment of the Zhejiang Ruhoo JV
“Zhejiang Ruhoo Supplemental JV Agreement”	the supplemental agreement dated 27 November 2006 entered into between Zhejiang Haoqing and Centurion which sets out the revised terms for the establishment of the Zhejiang Ruhoo JV
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent.

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

$$RMB1.0208 = HK\$1$$

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Shu Fu
Mr. Gui Sheng Yue
Mr. Xu Gang
Mr. Yang Jian
Mr. Ang Siu Lun, Lawrence
Mr. Liu Jin Liang
Mr. Yin Da Qing, Richard
Mr. Zhao Jie
Dr. Zhao Fuquan

Independent non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex

Registered office:

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business

in Hong Kong:
Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

28 November 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO ESTABLISHMENT OF
ZHEJIANG KINGKONG AUTOMOBILE COMPANY LIMITED
AND
ZHEJIANG RUHOO AUTOMOBILE COMPANY LIMITED
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

INTRODUCTION

The Group entered into the JV Agreements on 25 October 2006 (as supplemented by the Supplemental JV Agreements dated 27 November 2006) to jointly establish two joint venture companies, namely Zhejiang Kingkong JV and Zhejiang Ruhoo JV, in Zhejiang Province with Geely Holding Limited and Zhejiang Haoqing respectively, to engage in the research and development, production, marketing and sales of sedan related components as well as the provision of related after-sales services in the PRC. On 27 November 2006, the Group entered into the Supplemental JV Agreements with Geely Holding Limited and Zhejiang Haoqing respectively to amend and/or supplement the terms of the Zhejiang Kingkong JV Agreement and the Zhejiang Ruhoo JV Agreement.

LETTER FROM THE BOARD

Pursuant to the Zhejiang Kingkong Supplemental JV Agreement, Geely Holding Limited and Centurion agreed to amend certain terms under the headings of capital structure, in particular the timing of their respective contribution to the registered capital of the joint venture, and shareholder's advance in the joint venture agreement dated 25 October 2006 entered into between Geely Holding Limited and Centurion as stated in the section headed "Zhejiang Kingkong JV Agreements" in this circular. Furthermore, pursuant to the Zhejiang Ruhoo Supplemental JV Agreement, Zhejiang Haoqing and Centurion agreed to amend certain terms under the headings of capital structure, in particular the total investment amount and the timing of their respective contribution to the registered capital of the joint venture, and shareholder's advance in the joint venture agreement dated 25 October 2006 entered into between Zhejiang Haoqing and Centurion as stated in the section headed "Zhejiang Ruhoo JV Agreements" in this circular. The total investment amount in the Zhejiang Ruhoo JV was adjusted downward to account for the decrease of the Zhejiang Haoqing Asset Value as valued by an independent property valuer.

Geely Holding Limited and Zhejiang Haoqing are connected persons of the Company for the purpose of the Listing Rules by virtue of the fact that both Geely Holding Limited and Zhejiang Haoqing are beneficially owned by Mr. Li and his associates. As a result, the entering into of the JV Agreements constitute 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 of 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 60.22% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the JV Agreements to be put forward at the EGM.

The Board also proposes to amend the Articles to comply with the Code on Corporate Governance Practice and other changes to the Listing Rules.

The purpose of this circular is to provide you with further information on, among other things, details of the JV Agreements, the letter from the Independent Board Committee, the letter from Taifook Capital to advise the Independent Board Committee and the Independent Shareholders, the amendments to the Articles and the notice to convene the EGM.

ZHEJIANG KINGKONG JV AGREEMENTS

Date	:	25 October 2006 (as supplemented by the Zhejiang Kingkong Supplemental JV Agreement dated 27 November 2006)
Parties	:	(1) Geely Holding Limited (2) Centurion
Subject matter	:	Establishment of a sino-foreign equity joint venture, the Zhejiang Kingkong JV, to be owned as to 53.19% by Geely Holding Limited and as to 46.81% by Centurion respectively.
Scope of business	:	To engage in the research, production, marketing and sales of sedan related components as well as the provision of related after-sales services in the PRC.
Term	:	50 years from the date of issue of the business licence of the Zhejiang Kingkong JV. The Zhejiang Kingkong JV will be established on the date that the relevant PRC authority issues the Zhejiang Kingkong JV with its business licence.

LETTER FROM THE BOARD

Capital Structure : Total investment:
RMB701,648,000.00 (equivalent to approximately HK\$687,351,097.18), determined with reference to the valuation of the Geely Holding Assets performed by an independent valuer and the estimated working capital requirements of the Zhejiang Kingkong JV.

Registered capital:

RMB234,992,522.97 (equivalent to approximately HK\$230,204,274.07), which will be contributed as to 53.19% by Geely Holding Limited and as to 46.81% by Centurion, respectively, in the following manners:

- (i) Centurion will contribute its 46.81% capital contribution amount of RMB110,000,000.00 (equivalent to approximately HK\$107,758,620.69) payable in cash upon completion of the assets transfer by Geely Holding Limited of the Geely Holding Assets into the Zhejiang Kingkong JV. Centurion's contribution will be financed by internal resources of the Group. In the event that Geely Holding Limited failed to transfer the Geely Holding Assets into Zhejiang Kingkong JV within six months following the establishment of the Zhejiang Kingkong JV, both parties agreed to terminate all rights and responsibilities pursuant to the Zhejiang Kingkong JV Agreements; and
- (ii) Geely Holding Limited will contribute its portion of the registered capital of RMB124,992,522.97 (equivalent to approximately HK\$122,445,653.38) by transferring to the Zhejiang Kingkong JV, in a single transfer within six months following the establishment of the Zhejiang Kingkong JV, the Geely Holding Assets at the Geely Holding Asset Value, being RMB591,648,000.00 (equivalent to approximately HK\$579,592,476.49), which will result in a surplus between the Geely Holding Assets, and its 53.19% capital contribution amount to the Zhejiang Kingkong JV.

Shareholder's advance : The surplus from the Geely Holding Asset Value in the amount of approximately RMB466.66 million (equivalent to approximately HK\$457.15 million) will be accounted for as a shareholder's advance to the Zhejiang Kingkong JV without interest. Such surplus will make up the difference between the registered capital and the total investment amounts of Zhejiang Kingkong JV. Thus, Centurion will not be required to make further capital contribution to the Zhejiang Kingkong JV, save for the aforesaid capital contribution requirement.

LETTER FROM THE BOARD

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

Board composition : The board of the Zhejiang Kingkong JV will comprise 4 members. Mr. Li will be the chairman of the board. Geely Holding Limited will have the right to nominate 2 members and Centurion will have the right to nominate 1 member to the board of the Zhejiang Kingkong 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 Geely Holding Limited and Centurion.

Conditions precedent

Completion of the Zhejiang Kingkong JV Agreements is conditional upon, among other things, the following conditions precedent being satisfied on or before 31 December 2006 (or such later date as may be agreed by the parties):

- (a) the Independent Shareholders approving the establishment of the Zhejiang Kingkong 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 Zhejiang Kingkong JV Agreements.

If the above conditions have not been fulfilled on or before 31 December 2006 (or such later date as the parties will agree), the Zhejiang Kingkong JV Agreements will lapse and all the obligations and liabilities of the parties to the Zhejiang Kingkong JV Agreements will cease and terminate.

ZHEJIANG RUHOO JV AGREEMENTS

Date : 25 October 2006 (as supplemented by the Zhejiang Ruhoo Supplemental JV Agreement dated 27 November 2006)

Parties : (1) Zhejiang Haoqing
(2) Centurion

Subject matter : Establishment of a sino-foreign equity joint venture, the Zhejiang Ruhoo 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 as well as the provision of related after-sales services in the PRC.

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

LETTER FROM THE BOARD

Capital Structure : Total investment:

RMB389,320,000.00 (equivalent to approximately HK\$381,387,147.34), determined mainly with reference to the valuation of the Zhejiang Haoqing Assets performed by an independent valuer and the estimated working capital requirements by the Zhejiang Ruhoo JV.

Registered capital:

RMB151,676,992.10 (equivalent to approximately HK\$148,586,395.08), which will be contributed as to 53.19% by Zhejiang Haoqing and as to 46.81% by Centurion, respectively, in the following manners:

- (i) Centurion will contribute its 46.81% capital contribution amount of RMB71,000,000.00 (equivalent to approximately HK\$69,553,291.54) payable in cash, in which RMB40 million (equivalent to approximately HK\$39.18 million) will be payable upon completion of the assets transfer by Zhejiang Haoqing of the Zhejiang Haoqing Assets into the Zhejiang Ruhoo JV and the remaining RMB31 million (equivalent to approximately HK\$30.37 million) will be payable within one year following the establishment of the Zhejiang Ruhoo JV. Centurion's contribution will be financed by internal resources of the group. In the event that Zhejiang Haoqing failed to transfer the Zhejiang Haoqing Assets into Zhejiang Haoqing JV within three months following the establishment of the Zhejiang Ruhoo JV, both parties agreed to terminate all rights and responsibilities pursuant to the Zhejiang Ruhoo JV Agreements; and
- (ii) Zhejiang Haoqing will contribute its portion of the registered capital of RMB80,676,992.10 (equivalent to approximately HK\$79,033,103.55) by transferring to the Zhejiang Ruhoo JV, in a single transfer within three months following the establishment of the Zhejiang Ruhoo JV, the Zhejiang Haoqing Assets at the Zhejiang Haoqing Asset Value, being RMB318,320,000 (equivalent to approximately HK\$311,833,855.80), which will result in a surplus between the Zhejiang Haoqing Assets, and its 53.19% capital contribution amount to the Zhejiang Ruhoo JV.

LETTER FROM THE BOARD

- Shareholder's advance** : The surplus from the Zhejiang Haoqing Asset Value in the amount of approximately RMB237.64 million (equivalent to approximately HK\$232.8 million) will be accounted for as a shareholder's advance to the Zhejiang Ruhoo JV without interest. Such surplus will make up the difference between the registered capital and the total investment amounts of Zhejiang Ruhoo JV. Thus, Centurion will not be required to make further capital contribution to the Zhejiang Ruhoo JV, save for the aforesaid capital contribution requirement.
- Profit distribution** : Profits of the Zhejiang Ruhoo JV will be distributed in accordance with the proportion of the registered capital held by Zhejiang Haoqing and Centurion, respectively.
- Board composition** : The board of the Zhejiang Ruhoo JV will comprise 4 members. Mr. Li will be the chairman of the board. Zhejiang Haoqing will have the right to nominate 2 members and Centurion will have the right to nominate 1 member to the board of the Zhejiang Ruhoo 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 Zhejiang Ruhoo JV Agreements is conditional upon, among other things, the following conditions precedent being satisfied on or before 31 December 2006 (or such later date as may be agreed by the parties):

- (a) the Independent Shareholders approving the establishment of the Zhejiang Ruhoo 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 Zhejiang Ruhoo JV Agreements.

If the above conditions have not been fulfilled on or before 31 December 2006 (or such later date as the parties will agree), the Zhejiang Ruhoo JV Agreements will lapse and all the obligations and liabilities of the parties to the Zhejiang Ruhoo JV Agreements will cease and terminate.

LETTER FROM THE BOARD

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 economic sedans in the PRC is sustainable given the continued growth in the PRC economy. The formation of the Zhejiang Kingkong JV and the Zhejiang Ruhoo JV with Geely Holding Limited and Zhejiang Haoqing, respectively, will enable the Company to further benefit from this increasing demand in the PRC automobile industry. Furthermore, in accordance with the relevant applicable tax regulations, given its sino-foreign shareholding structure, Zhejiang Kingkong JV and Zhejiang Ruhoo JV will be entitled to full exemption from enterprise income tax for the first two years and 50% reduction in enterprise income tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years. Upon completion of the JV Agreements, Zhejiang Kingkong JV and Zhejiang Ruhoo JV will be accounted for as associated companies of the Company, the Directors expect that the tax savings for the associated companies will have a favorable impact on the earnings and the asset base of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the JV Agreements are fair and reasonable and the establishment of the Zhejiang Kingkong JV and the Zhejiang Ruhoo 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 receivable from its associated companies.

INFORMATION ON THE GEELY HOLDING ASSETS AND THE ZHEJIANG HAOQING ASSETS

Geely Holding Assets

Geely Holding Limited is principally engaged in investment holding. The Geely Holding Assets consist of 20 parcels of adjoining land with a total site area of approximately 807,102.00 sq.m. on which are constructed 13 buildings with a total gross floor area of approximately 148,108.49 sq.m. and various ancillary structures located at Luqiao District, Taizhou City, Zhejiang Province, the PRC. The Geely Holding Assets are currently occupied by Geely Holding Limited and its subsidiaries for car production and ancillary office purposes. The Geely Holding Assets also comprise a building and 2 ancillary structures, which are currently under construction. The Geely Holding Asset Value of RMB591,648,000.00 (equivalent to approximately HK\$579,592,476.49) represents the aggregated amount of the estimated market value of approximately RMB316.93 million (equivalent to approximately HK\$310.47 million) and the estimated reference value of approximately RMB274.72 million (equivalent to approximately HK\$269.12 million) of the Geely Holding Assets. The valuation on the Geely Holding Assets, which include both the market value and the reference value, was performed by Sallmanns, an independent property valuer. The market value represents the value of the lands and buildings which Geely Holding Limited has obtained title certificates. The reference value represents the market value of certain lands and buildings that Geely Holding Limited has yet to obtain title certificates. The Company understands that Geely Holding Limited is in the process of obtaining such title certificates.

LETTER FROM THE BOARD

Zhejiang Haoqing Assets

Zhejiang Haoqing is principally engaged in manufacturing and distribution of Haoqing's series models. The Zhejiang Haoqing Assets consist of 2 parcels of land with a total site area of approximately 387,251.59 sq.m. on which are constructed 10 buildings with a total gross floor area of approximately 125,461.50 sq.m. and various ancillary structures located at Dingjiayang Village, Dayang Street, Linhai City, Zhejiang Province, the PRC. The Zhejiang Haoqing Assets are currently occupied by Zhejiang Haoqing and its subsidiary for car production and ancillary office purposes. The Zhejiang Haoqing Asset Value of RMB318,320,000 (equivalent to approximately HK\$311,833,855.80) represents the market value of the Zhejiang Haoqing Assets based on the valuation performed by Sallmanns, an independent property valuer.

The Geely Holding Assets and Zhejiang Haoqing Assets were valued based on the depreciated replacement cost method. In valuing the properties under construction, Sallmanns has assumed that such properties will be developed and completed in accordance with the relevant latest development plan. Sallmanns has also taken into account the construction costs and professional fees incurred under the construction up to date of valuation with the remaining costs and fees to be expended to complete the development.

REQUIREMENTS OF THE LISTING RULES

Geely Holding Limited and Zhejiang Haoqing are connected persons of the Company for the purpose of the Listing Rules by virtue of the fact that both Geely Holding Limited and Zhejiang Haoqing are beneficially owned by Mr. Li and his associates. As a result, the entering into of the JV Agreements constitute 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 of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE/INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the terms of the JV Agreements. Taifook Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Listing Rules have been amended by the Stock Exchange by replacing the Code of Best Practice in Appendix 14 by a new Code on Corporate Governance Practices and adding a new Appendix 23 on the requirements for a Corporate Governance Report to be included in annual reports of listed issuers. In addition, paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B to the Listing Rules have recently been amended by the Stock Exchange to the effect that a director may be removed by an ordinary resolution in general meeting instead of a special resolution.

Following a review of the Company's corporate governance practices and its Articles with reference to the new amendments to the Listing Rules, the Directors proposed to amend the Articles at the EGM to ensure compliance with the amendments to the Listing Rules.

Pursuant to Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Code Provision A.1.3 provides that a notice of at least 14 days should be given of a regular board meeting and reasonable notice should be given for all other board meetings. Accordingly, the Articles will be amended to reflect the provisions of the Code Provisions A.1.1 and A.1.3.

Pursuant to Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, the Articles will also be amended to specify that notwithstanding any other provisions in the Articles of the Company, at each annual meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than, instead of greater than, one third) shall retire from office by rotation. As a result of the said proposed amendment, every Director will be subject to retirement by rotation at least once every three years in compliance with the Code Provision A.4.2.

Code Provision A.4.2 also provides that all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. Accordingly, the Articles will be amended to specify that any Director appointed to fill a casual vacancy shall hold office until the next following general meeting, instead of the next following annual general meeting.

Code Provision E.2.1 also provides that pursuant to Rule 13.39(3) of the Listing Rules, the chairman of a general meeting of the Company and/or directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. Accordingly, the Articles will be amended to reflect the provisions of the Code Provision E.2.1.

Paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B to the Listing Rules have also been amended. Accordingly, the Articles will be amended to the effect that a Director may be removed by an ordinary resolution in general meeting instead of a special resolution.

LETTER FROM THE BOARD

In addition, since there have been a number of amendments to the Articles in recent years, the Directors propose to reprint and adopt a new Memorandum and Articles of Association of the Company incorporating all the resolutions passed up to the conclusion of the EGM in connection with the amendments to the Articles (including the proposed resolutions for amendments to the Articles if approved by the Shareholders at the EGM).

EGM

The Company will convene the EGM at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 December 2006, at 9:30 a.m. at which ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the JV Agreements in relation to the establishment of Zhejiang Kingkong JV and Zhejiang Ruhoo JV and a special resolution will be proposed for the purpose of considering and, if thought fit, approving the amendments to the Articles. Proper Glory and Geely Group, both wholly-owned by Mr. Li, and holding 60.22% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the JV Agreements to be put forward at the EGM. The voting on the resolutions in respect of the JV Agreements will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A form of proxy for use by the Independent Shareholders at the EGM and at any adjournment thereof is enclosed. Whether or not you propose to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrars in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM, or any adjourned meeting, should you so wish.

PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 80, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the Chairman or by:

- (a) at least 5 Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
- (b) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

LETTER FROM THE BOARD

GENERAL

You are advised to read carefully the letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the JV Agreements and all transactions in connection therewith, set out on page 17 of this circular. Your attention is also drawn to the letter of advice from Taifook Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 25 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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



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)

28 November 2006

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO ESTABLISHMENT OF
ZHEJIANG KINGKONG AUTOMOBILE COMPANY LIMITED
AND
ZHEJIANG RUHOO AUTOMOBILE COMPANY LIMITED**

We refer to the circular of the Company dated 28 November 2006 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used herein have the same meanings as defined in the Circular unless otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the JV Agreements, details of which are set out in the letter from the Board in the Circular.

Having taken into account of the advice of Taifook Capital, the independent financial adviser, we consider that the entering into of the JV Agreements is in the interests of the Company and the Shareholders as a whole and the terms of the JV Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the JV Agreements.

Yours faithfully,

Mr. Lee Cheuk Yin, Dannis

Mr. Song Lin

Mr. Yeung Sau Hung, Alex

Independent Board Committee

LETTER FROM TAIFOOK CAPITAL

The following is the text of the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

28 November 2006

To the Independent Board Committee and the Independent Shareholders
Geely Automobile Holdings Limited

Dear Sirs/Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO ESTABLISHMENT OF
ZHEJIANG KINGKONG AUTOMOBILE COMPANY LIMITED
AND
ZHEJIANG RUHOO AUTOMOBILE COMPANY LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the establishment of the two joint venture companies, namely Zhejiang Kingkong JV and Zhejiang Ruhoo JV, the definitions of which, among other things, are set out in the circular dated 28 November 2006 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

By the announcements dated 25 October 2006 and 27 November 2006, the Company announced that the Group entered into the JV Agreements for the establishment of Zhejiang Kingkong JV and Zhejiang Ruhoo JV (collectively, the "JV Companies") with Geely Holding Limited and Zhejiang Haoqing respectively in Zhejiang Province to engage in the research and development, production, marketing and sales of sedan related components as well as the provision of related after-sales services in the PRC. Zhejiang Kingkong JV will be owned as to 53.19% and 46.81% by Geely Holding Limited and Centurion respectively. In addition, Zhejiang Ruhoo JV will be owned as to 53.19% and 46.81% by Zhejiang Haoqing and Centurion respectively.

Geely Holding Limited and Zhejiang Haoqing are beneficially owned by Mr. Li and his associates. Mr. Li is an executive Director holding 60.22% beneficial interests in the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Geely Holding Limited and Zhejiang Haoqing are regarded as connected persons of the Company under the Listing Rules. As set out in the "Letter from the Board" of the Circular, the entering into the JV Agreements constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules, and is subject to the

LETTER FROM TAIFOOK CAPITAL

reporting, announcement and the Independent Shareholders' approval requirements. Proper Glory and Geely Group, both of which are wholly-owned by Mr. Li, hold 60.22% and 0.002% respectively in the issued share capital of the Company, will abstain from voting at the EGM in respect of the resolutions for approving the JV Agreements.

The Independent Board Committee, comprising Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the JV Agreements and whether the entering into of the JV Agreements are in the interests of the Company and the Independent Shareholders as a whole. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the entering into of the JV Agreements is in the interests of the Company and the Shareholders as a whole and the terms of the JV Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

BASIS OF OUR OPINION

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we are not involved in the negotiations in respect of the terms of the JV Agreements. Our opinions with regard to the establishment of the JV Companies have been made on the assumption that the terms of the JV Agreements were entered into in relation to the establishment of the JV Companies will be fully performed in accordance with the terms thereof.

In formulating our opinion, we have relied on the information and facts supplied to us and representations expressed by the management and directors of the Company and have assumed that all such information and facts and any representations made to us or contained in the Circular were true, accurate and complete at the time they were made and continue to be so at the date hereof and during the period up to the date of the EGM. We have also assumed that all information, representations and opinions contained or referred to in the Circular are fair and reasonable and have relied on them. We have been advised by the management and directors of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us, and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We consider we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs of the Company or any of its subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the establishment of the JV Companies, we have considered the following principal factors and reasons:

1. Reasons for and benefits of the establishment of JV Companies

1.1 *Business and corporate strategy of the Group*

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles components in the PRC. As stated in the Company's 2006 interim report, the Group's strategy is to continue the upgrading and expansion of its production facilities. The formation of the JV Companies is consistent with the Group's strategy as they will indirectly provide the Group with more production facilities.

1.2 *Contributions from Geely Holding Limited and Zhejiang Haoqing*

The transfers of Geely Holding Assets and Zhejiang Haoqing Assets into Zhejiang Kingkong JV and Zhejiang Ruhoo JV respectively provide the immediate available lands and buildings for the operation of the JV Companies. In addition, pursuant to the JV Agreements, the surplus from the Geely Holding Asset Value and Zhejiang Haoqing Asset Value will be respectively accounted for as a shareholder's advance to Zhejiang Kingkong JV and Zhejiang Ruhoo JV without interests. Furthermore, as set out in the "Letter from the Board" in the Circular, Centurion will not be required to provide further capital contribution to the JV Companies, save for the registered capital contribution requirements. The Group can leverage on the resources provided by Geely Holding Limited and Zhejiang Haoqing to further benefit from the sedan components manufacturing business through the JV Companies.

1.3 *Non-competition undertaking from Geely Holding*

Geely Holding has signed agreements or been in negotiations with local governments in the PRC to establish manufacturing plants for the production and sale of sedans in four locations, namely Lanzhou, Xiangtan, Ningbo, and Jinan ("Potential Businesses"). To demonstrate Mr. Li's commitment to the Group, Geely Holding has undertaken to the Group, that:

- (1) Geely Holding will undertake and warrant and procure its subsidiaries to undertake and warrant to refrain from research and development, manufacturing and sale of any products that compete with the products manufactured by the Group and/ or its associated companies ("Products"). The Products include (i) new models produced by the Group and/or its associated companies in the future and (ii) improved versions of the existing models currently produced by the Group and/or its associated companies; and
- (2) Upon being informed of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Mr. Li will, and will procure his associates (other than the Group) to sell to the Group (a) all of the Potential

LETTER FROM TAIFOOK CAPITAL

Businesses and related assets, and (b) new projects undertaken by Geely Holding that might compete with the businesses currently engaged by the Group or the Company's associated companies, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

1.4 Development of the domestic automobile manufacturing industry

According to statistics compiled by the China Association of Automobile Manufacturers, total sales volume of passenger cars in China grew 47% year-on-year in the first half of 2006 to 1.8 million, outperforming most market expectations. As stated in the Company's 2006 interim report, the Directors believe that the strong growth in demand in China for fuel-efficient and easy-to-maintain affordable economy sedans should be sustainable in the coming decade. The Directors are confident on the great potential sedan market in China, and expect the growth of China's sedan sales volume to be maintained at around 20% per annum in the coming few years.

Furthermore, we note from the Company's 2006 interim report that the Company's turnover for the six months ended 30 June 2006, which principally generated from its 51%-owned Fulin Guorun, increased by approximately 93% over the corresponding period in 2005, and profit attributable to the Shareholders for the six months ended 30 June 2006 increased significantly by approximately 196% over the same period in 2005. Such increase in earnings was largely attributable to the strong sales volume growth of vehicles enjoyed by the Company's 46.81%-owned associates, namely Zhejiang JV and Shanghai Maple JV, which utilized Fulin Guorun's products including brake system and electric power steering for sedans.

Given the Directors' expected increasing demand of sedan in China and the strong sales volume growth of vehicles as mentioned above, the establishment of the JV Companies has provided an opportunity for the Group to further capture on the expected business opportunities generated by the domestic sedan business growth.

1.5 Tax exemption holiday

As advised by the Company's legal advisers as to PRC law, Zhejiang Kingkong JV and Zhejiang Ruhoo JV will be entitled to full exemption from PRC enterprise income tax for the first two years, followed by a 50% reduction in enterprise income tax for the next three years, commencing from the first profitable year. As set out in the "Letter from the Board" in the Circular, upon completion of the JV Agreements, Zhejiang Kingkong JV and Zhejiang Ruhoo JV will be accounted for as associated companies of the Company, the Directors expect that the tax savings for the associates companies will have a favorable impact on the earnings and the asset base of the Group.

Having considered the reasons set out above, we consider that the entering into of the JV Agreements are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the JV Agreements

2.1 Terms of Zhejiang Kingkong JV Agreements

Pursuant to the Zhejiang Kingkong JV Agreements, the total investment and registered capital of Zhejiang Kingkong JV are RMB701,648,000.00 (equivalent to approximately HK\$687,351,097.18) and RMB234,992,522.97 (equivalent to approximately HK\$230,204,274.07) respectively.

According to the Zhejiang Kingkong JV Agreements, the registered capital will be contributed as to 53.19% and 46.81% by Geely Holding Limited and Centurion respectively in the following manners:

- (i) Geely Holding Limited will contribute its registered capital of RMB124,992,522.97 (equivalent to approximately HK\$122,445,653.38) by transferring Geely Holding Assets to Zhejiang Kingkong JV in a single transfer. Geely Holding Limited should complete the procedures (“ZK Procedures”) of the transfer of the Geely Holding Assets to Zhejiang Kingkong JV within six months following the establishment of Zhejiang Kingkong JV.
- (ii) Centurion will contribute its registered capital of RMB110,000,000.00 (equivalent to approximately HK\$107,758,620.69) by way of cash upon the completion of the ZK Procedures. In the event that Geely Holding Limited could not complete the ZK Procedures within six months following the establishment of Zhejiang Kingkong JV, both parties agreed to terminate all rights and responsibilities pursuant to the Zhejiang Kingkong JV Agreements.

The investment amount in excess of the registered capital will be funded by the surplus from the Geely Holding Asset Value and will be accounted for as a shareholder’s advance to Zhejiang Kingkong JV without interest. As set out in the “Letter from the Board” in the Circular, Centurion will not be required to make further capital contribution to Zhejiang Kingkong JV, save for the aforesaid capital contribution requirement.

The Geely Holding Asset Value is determined with reference to the valuation of the Geely Holding Assets conducted by an independent valuer. According to the valuation report as set out in appendix I to the Circular, certain Geely Holding Assets amounting to RMB274,718,000.00 (equivalent to approximately HK\$269,120,297.81) have not yet obtained the relevant title certificates. As advised by the Company’s PRC legal advisers, there are no major legal obstacles in-principle for Geely Holding Limited to obtain the relevant title certificates of certain Geely Holding Assets and there are no major legal obstacles in-principle for the transfer of Geely Holding Assets from Geely Holding Limited to Zhejiang Kingkong JV.

As set out in the “Letter from the Board” in the Circular, the profits of Zhejiang Kingkong JV will be distributed in accordance with the proportion of the registered capital held by Geely Holding Limited and Centurion respectively.

LETTER FROM TAIFOOK CAPITAL

2.2 *Terms of the Zhejiang Ruhoo JV Agreements*

Pursuant to the Zhejiang Ruhoo JV Agreements, the total investment and registered capital of Zhejiang Ruhoo JV are RMB389,320,000.00 (equivalent to approximately HK\$381,387,147.34) and RMB151,676,992.10 (equivalent to approximately HK\$148,586,395.08) respectively.

According to the Zhejiang Ruhoo JV Agreements, the registered capital will be contributed as to 53.19% and 46.81% by Zhejiang Haoqing and Centurion respectively in the following manners:

- (i) Zhejiang Haoqing will contribute its registered capital of RMB80,676,992.10 (equivalent to approximately HK\$79,033,103.55) by transferring Zhejiang Haoqing Assets to Zhejiang Ruhoo JV in a single transfer. Zhejiang Haoqing should complete the procedures (“ZH Procedures”) of the transfer of the Zhejiang Haoqing Assets to Zhejiang Ruhoo JV within three months following the establishment of Zhejiang Ruhoo JV.
- (ii) Centurion will contribute its registered capital of RMB71,000,000.00 (equivalent to approximately HK\$69,553,291.54) by way of cash. Centurion should first contribute RMB40,000,000.00 (equivalent to approximately HK\$39,184,952.98) upon the completion of the ZH Procedures and then contribute the balance of RMB31,000,000.00 (equivalent to approximately HK\$30,368,338.56) within one year following the establishment of Zhejiang Ruhoo JV. In the event that Zhejiang Haoqing could not complete the ZH Procedures within three months following the establishment of Zhejiang Ruhoo JV, both parties agreed to terminate all rights and responsibilities pursuant to the Zhejiang Ruhoo JV Agreements.

The investment amount in excess of the registered capital will be funded by the surplus from the Zhejiang Haoqing Asset Value and will be accounted for as a shareholder’s advance to Zhejiang Ruhoo JV without interest. As set out in the “Letter from the Board” in the Circular, Centurion will not be required to make further capital contribution to Zhejiang Ruhoo JV, save for the aforesaid capital contribution requirement.

The Zhejiang Haoqing Asset Value is determined with reference to the valuation of the Zhejiang Haoqing Assets conducted by an independent valuer. According the valuation report as set out in appendix I to the Circular, all the Zhejiang Haoqing Assets have obtained the relevant title certificates. As advised by the Company’s PRC legal advisers, all the Zhejiang Haoqing Assets can be legally leased and transferred.

As set out in the “Letter from the Board” in the Circular, the profits of Zhejiang Ruhoo JV will be distributed in accordance with the proportion of the registered capital held by Zhejiang Haoqing and Centurion respectively.

LETTER FROM TAIFOOK CAPITAL

2.3 *Rights of Centurion in the JV Companies*

Each of the board of directors of Zhejiang Kingkong JV and Zhejiang Ruhoo JV will consist of four directors. In either case, Centurion shall be entitled to nominate one member to the board of directors. Furthermore, any resolutions concerning major issues of the JV Companies, including, but not limited to, (i) amending the articles of association; (ii) increasing or decreasing registered capital; (iii) terminating or dismissing the joint ventures; and (iv) disposing of either party's interests in the joint venture, shall be approved unanimously by all directors or their respective designated representatives (if any) who present at the meeting.

Furthermore, Centurion is entitled to nominate one supervisor to each of Zhejiang Kingkong JV and Zhejiang Ruhoo JV. The supervisor may exercise powers including, but not limited to, checking the financial affairs, supervising the duties of the directors and senior managers and demanding any directors or senior managers to make corrections if his/their act(s) has/have injured the interests of the joint venture.

In addition, the terms of the JV Agreements include the provision of pre-emptive rights, to the effect that each party is obligated to offer to the counter party the first right of refusal concerning the equity interests in the joint venture which the transferor intends to sell.

Having considered all of the relevant factors as mentioned above, we are of the view that the terms of the JV Agreements are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

3. **Main financial impact on the Group**

3.1 *Net Asset Value*

As set out in the Circular, upon the establishment of Zhejiang Kingkong JV and Zhejiang Ruhoo JV, we note that the Company will recognize its interest in Zhejiang Kingkong JV and Zhejiang Ruhoo JV as interests in associates. In view of the fact that the funding for Centurion's portion of registered capital in the JV Companies would be financed by dividend receivable from associates of the Group, upon the establishment of the JV Companies, the non-current assets of the Group will increase by its portion of registered capitals of the JV Companies of an aggregate of RMB181,000,000.00 (equivalent to approximately HK\$177,311,912.23) ("Total Registered Capital"), while its dividend receivable from associates will decrease by the same amount. Therefore, there would be no change in the Group's net asset value upon the establishment of the JV Companies. In this regard, we are of the view that the establishments of the JV Companies have no material impact on the absolute amount of the net asset value of the Group.

3.2 *Working capital*

We note from the Company's 2006 unaudited interim report that the Group has time deposits, bank balances and cash (the "Cash Balance") of HK\$744.97 million (equivalent to approximately RMB760.47 million) and dividend receivable from associates of HK\$189.23 million (equivalent to approximately RMB193.17 million). Since the Total Registered Capital will be fully financed by dividend receivable from associates, there will be no change in the Cash Balance in this regard.

LETTER FROM TAIFOOK CAPITAL

Therefore, we are of the view that the Group has sufficient internal resources to cover the Total Registered Capital as required by the establishment of the JV Companies, and the entering into the JV Agreements have no material impact on the Group's normal operation.

We also note from the Company's 2006 unaudited interim report that the Group's current assets and current liabilities recorded approximately HK\$1,208.72 million and HK\$337.41 million respectively. The Group's current ratio (being the current assets divided by the current liabilities) was approximately 3.58 times as at 30 June 2006. Upon the establishment of the JV Companies, the Group's current assets will decrease due to the Group's contribution to the JV Companies by way of internal resources, while the Group's current liabilities will remain unchanged. In this regard, we note that the Group's current ratio upon the establishment of the JV Companies will decrease theoretically to 3.05 times, representing a decrease of 14.80% as compared with the current ratio before the establishment.

Given that the establishment of the JV Companies will help explore the Group's revenue base and benefit the future development of the Group, we are of the view that a modest decrease in the current ratio of the Group caused by the establishment of the JV Companies is acceptable.

Having considered the above as a whole, given that (i) the establishment of the JV Companies has no material impact on the absolute amount of the net asset value of the Group; and (ii) no impact on the total debt balance, notwithstanding the decrease in the current ratio upon the establishment of the JV Companies, we are of the view that entering into of the JV Agreements is in the interests of the Group and the Shareholders as a whole.

OUR RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the entering into of the JV Agreements is in the interests of the Company and the Shareholders as a whole, and the terms of the JV Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the establishment of the JV Companies.

Yours faithfully,
For and on behalf of
Taifook Capital Limited
Derek C. O. Chan
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 September 2006 of the relevant property interests.



Sallmanns



Corporate valuation and consultancy

www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

28 November 2006

The Board of Directors
Geely Automobile Holdings Limited
Room 2301, 23rd Floor
Great Eagle Centre
No. 23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests in the PRC which are currently held and occupied by Zhejiang Haoqing Automobile Manufacturing Company Limited (“Zhejiang Haoqing”) and Geely Holding Limited (“Geely Holding Limited”), both of which are connected parties of Geely Automobile Holdings Limited (the “Company”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 30 September 2006 (the “date of valuation”) for Joint Venture purposes.

Our valuations of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the property interests in Groups I and II have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

In valuing portions of properties in Group II which are currently under construction, we have assumed that it will be developed and completed in accordance with the Geely Holding Limited's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the development.

We have attributed no commercial value to the property interest in Group III, which is leased by Zhejiang Haoqing, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuations have been made on the assumption that the seller sells the properties on the open market without the benefit of a deferred term contract, leaseback joint venture, management agreement or any similar arrangement, which could serve to affect the value of the properties.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the instructing party and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by PRC legal adviser of Zhejiang Haoqing and Geely Holding Limited - Zhejiang Liqun Law Office, concerning the validity of the titles to the relevant property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties unless we have been otherwise instructed. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the relevant companies. We have also been advised by the Zhejiang Haoqing, Geely Holding Limited and the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 23 years' experience in the valuation of properties in the PRC and 26 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST HELD AND OCCUPIED BY ZHEJIANG HAOQING IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2006 RMB
1.	Two parcels of land various buildings and structures located at Dingjiayang Village Dayang Street Linhai Zhejiang Province The PRC	318,320,000

GROUP II – PROPERTY INTEREST HELD AND OCCUPIED BY GEELY HOLDING LIMITED IN THE PRC

Property	Capital value in existing state as at 30 September 2006 RMB	
2.	Twenty parcels of land various buildings and structures located at Luoyang Street Luqiao District Taizhou Zhejiang Province The PRC	316,930,000

**GROUP III – PROPERTY INTEREST RENTED AND OCCUPIED BY ZHEJIANG HAOQING IN
THE PRC**

Property	Capital value in existing state as at 30 September 2006 RMB
3. A parcel of land located at Dingjiayang Village Dayang Street Linhai Zhejiang Province The PRC	No commercial value
	<hr/>
	Total: <u><u>635,250,000</u></u>

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST HELD AND OCCUPIED BY ZHEJIANG HAOQING IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
<p>1. Two parcels of land, various buildings and structures located at Dingjiayang Village Dayang Street Linhai Zhejiang Province The PRC</p>	<p>The property comprises 2 parcels of land with a total site area of approximately 387,251.59 sq.m. on which are constructed 10 buildings and various ancillary structures completed in various stages between 1995 and 2000.</p> <p>The buildings have a total gross floor area of approximately 125,461.50 sq.m.</p> <p>The buildings and structures mainly include industrial buildings, office buildings, storehouses and a carport.</p> <p>The land use rights of the property were granted for terms of 50 years commencing from 28 October 1996 and expiring on 27 October 2046 for industrial use.</p>	<p>The property is currently occupied by Zhejiang Haoqing for car production and ancillary office purposes.</p>	<p>318,320,000</p>

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Lin Cheng Guo Yong (2004) Di Nos. 3297 and 3298 issued by the Municipal Government of Linhai City, the land use rights of 2 parcels of land with a total site area of approximately 387,251.59 sq.m. were granted to Zhejiang Haoqing for terms of 50 years commencing from 28 October 1996 and expiring on 27 October 2046 for industrial use.
2. Pursuant to 2 Building Ownership Certificates – Lin Hai Shi Fang Quan Zheng Cheng Guan Zhen Zi Di Nos. 107541 and 107542 issued by the Municipal Government of Linhai City, 10 buildings with a total gross floor area of approximately 125,461.50 sq.m. are owned by Zhejiang Haoqing.
3. Erected on the land there are also 7 completed buildings with a total gross floor area of approximately 37,274.49 sq.m. and 4 buildings with a total planned gross floor area of approximately 15,430.25 sq.m. which are currently under construction and are scheduled to be completed in December 2006. These buildings do not form part of the JV Agreements and therefore are excluded from our valuation.
4. The opinion given by Zhejiang Haoqing's PRC legal adviser contains, inter alia, the following:
 - i) The land use rights of the property can be legally used by Zhejiang Haoqing and can be legally leased, transferred and mortgaged by Zhejiang Haoqing without additional payments except relevant taxes and expenses; and
 - ii) The building ownership rights as described in note 2 are legally owned by Zhejiang Haoqing and can be legally leased, transferred and mortgaged without additional payments except relevant taxes and expenses.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTEREST HELD AND OCCUPIED BY GEELY HOLDING LIMITED
IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
2. Twenty parcels of land, various buildings and structures located at Luoyang Street Luqiao District Taizhou Zhejiang Province The PRC	<p>The property comprises 20 parcels of adjoining land with a total site area of approximately 807,102 sq.m. on which are constructed 13 buildings and various ancillary structures completed in various stages between 2002 and 2004.</p> <p>The buildings have a total gross floor area of approximately 148,108.49 sq.m.</p> <p>The buildings mainly include industrial buildings, office buildings, dormitories and storehouses.</p> <p>The structures mainly include road, boundary walls, cistern and carport.</p> <p>The property also comprises a building and 2 ancillary structures which are under construction and are scheduled to be completed in December 2006.</p> <p>The building and structures under construction mainly comprise an office building and boundary walls.</p> <p>The total planned gross floor area of the building is approximately 5,650 sq.m. upon completion. The total construction cost would be RMB3,266,182, of which RMB1,726,359 has been paid up to the date of valuation.</p> <p>The land use rights of the property were granted for terms of 50 years expiring between 30 December 2051 and 15 August 2054 for industrial use.</p>	The property is currently occupied by Geely Holding Limited for car production and ancillary office purposes, except for a building and 2 ancillary structures which are currently under construction.	316,930,000

Notes:

1. Pursuant to 13 State-owned Land Use Rights Certificates – Lu Guo Yong (2006) Zi Di Nos. 000032 to 000044 issued by the Municipal Government of Luqiao District, Taizhou City, the land use rights of 13 parcels of land with a total site area of approximately 551,668 sq.m. were granted to Geely Holding Limited for terms of 50 years expiring on 30 December 2051 and 13 August 2052 for industrial use.
2. Pursuant to 3 State-owned Land Use Rights Certificates – Lu Guo Yong (2004) Di Nos. 000235, 000236 and 000227 issued by the Municipal Government of Luqiao District, Taizhou City, the land use rights of 3 parcels of land with a total site area of approximately 79,797 sq.m. were granted to Taizhou Geely Automobile Manufacture Company Limited, a connected party of Geely Holding Limited, for a term of 50 years expiring on 15 August 2054 for industrial use.

Pursuant to a Transfer Agreement dated 10 September 2006 entered into between Taizhou Geely Automobile Manufacture Company Limited and Geely Holding Limited, Geely Holding Limited purchased the land use rights of 3 parcels of land with a total site area of approximately 79,797 sq.m. at a consideration of RMB7,980,000.

3. Pursuant to a State-owned Land Use Rights Certificate – Lu Guo Yong (2004) Di No. 000228 issued by the Municipal Government of Luqiao District, Taizhou City, the land use rights of a parcel of land with a site area of approximately 18,176 sq.m. were granted to Taizhou Geely Automobile Sale Company Limited, a connected party of Geely Holding Limited for a term of 50 years expiring on 15 August 2054 for industrial use.

Pursuant to a Transfer Agreement dated 10 September 2006 entered into between Taizhou Geely Automobile Sale Company Limited and Geely Holding Limited, Geely Holding Limited purchased the land use rights of a parcel of land with a site area of approximately 18,176 sq.m. at a consideration of RMB2,003,000.

4. We have not been provided with relevant land use rights certificates for the remaining 3 parcels of land with a total site of approximately 157,461 sq.m. and the Buildings Ownership Certificates for the 13 buildings of the property with a total gross floor area of approximately 148,108.49 sq.m. As such, we have not attributed any commercial value to them. However, for reference purposes, we are of the opinion that the capital value of the 3 parcels of land and 13 buildings (excluding the land on which they are erected) as at the date of valuation would be RMB272,990,000 assuming all relevant title ownership certificates have been obtained and they could be freely transferred.
5. We have not attributed any commercial value to a building and 2 ancillary structures currently under construction with a total planned gross floor area of approximately 5,650 sq.m. which are without any construction permits. However, for reference purposes, we are of the opinion that the capital value of the building and structures under construction (excluding the land) as at the date of valuation would be RMB1,728,000 assuming all relevant construction permits have been obtained.
6. The opinion given by Geely Holding Limited's PRC legal adviser contains, inter alia, the following:
 - (i) The land use rights as described in note 1 of the property are legally owned by Geely Holding Limited and can be legally leased, transferred and mortgaged without additional payments except relevant taxes and expenses;
 - (ii) The land use rights as described in note 2 and note 3 can be legally used by Geely Holding Limited and can be legally leased, transferred and mortgaged without additional payments except relevant taxes and expenses;
 - (iii) For the remaining 3 parcels of land with a total site of approximately 157,461 sq.m., Geely Holding Limited has entered into an agreement to obtain land use rights of these land. Geely Holding Limited has paid up all the land premium and the relevant Land Use Rights Certificate for these land are under application. As confirmed by Geely Holding Limited, Geely Holding Limited will pay relevant fees in this procedure; and
 - (iv) Geely Holding Limited is applying for the Buildings Ownership Certificates for the buildings with a total gross floor area of approximately 148,108.49 sq.m.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTEREST RENTED AND OCCUPIED BY ZHEJIANG HAOQING IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
3. A parcel of land located at Dingjiayang Village Dayang Street Linhai Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 6,500 sq.m. on which is constructed a carport. The land is rented to Zhejiang Haoqing from an independent third party for a term of 5 years commencing from 1 January 2005 and expiring on 31 December 2009 at an annual rent of RMB50,000.	The property is currently occupied by Zhejiang Haoqing for car parking purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between the Committee of Dingjiayang Village of Linhai and Zhejiang Haoqing dated 28 September 2004, a parcel of land with a site area of approximately 6,500 sq.m. was rented to Zhejiang Haoqing for a term of 5 years commencing from 1 January 2005 and expiring on 31 December 2009 at an annual rent of RMB50,000.
2. The opinion given by Zhejiang Haoqing's PRC legal adviser is that the Tenancy Agreement does not violate relevant PRC laws and Zhejiang Haoqing can legally use the land in accordance with to the Tenancy Agreement.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

(I) Interests and short positions in the securities of the Company

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Shares				
Mr. Li Shu Fu (<i>Note 1</i>)	Corporate	2,500,087,000	–	60.22%
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	–	0.05%
Share options				
Mr. Ang Siu Lun, Lawrence	Personal	35,000,000 (<i>Note 2</i>)	–	0.84%
Mr. Ang Siu Lun, Lawrence	Personal	10,000,000 (<i>Note 3</i>)	–	0.24%
Mr. Gui Sheng Yue	Personal	23,000,000 (<i>Note 3</i>)	–	0.55%
Mr. Xu Gang	Personal	23,000,000 (<i>Note 3</i>)	–	0.55%
Mr. Yang Jian	Personal	23,000,000 (<i>Note 3</i>)	–	0.55%
Mr. Liu Jin Liang	Personal	18,000,000 (<i>Note 3</i>)	–	0.43%

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Zhao Jie	Personal	18,000,000 (Note 3)	–	0.43%
Mr. Yin Da Qing, Richard	Personal	16,000,000 (Note 3)	–	0.39%
Mr. Song Lin	Personal	1,000,000 (Note 4)	–	0.02%
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 4)	–	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 4)	–	0.02%

Notes:

- (1) Proper Glory is a private company incorporated in the British Virgin Islands and is wholly-owned by Geely Group. Geely Group is a private company incorporated in the British Virgin Islands and is wholly-owned by Mr. Li.
- (2) This interest relates to share options granted on 23 February 2004 by the Company to Mr. Ang Siu Lun, Lawrence. The share options are exercisable at a subscription price of HK\$0.95 for each share during the period from 23 February 2004 to 22 February 2009. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.
- (3) This interest relates to share options granted on 5 August 2005 by the Company to the executive Directors. The share options are exercisable at a subscription price of HK\$0.70 for each share during the period from 5 August 2005 to 4 August 2010. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.
- (4) This interest relates to share options granted on 23 May 2006 by the Company to the independent non-executive Directors. The share options are exercisable at a subscription price of HK\$0.93 for each share during the period from 10 July 2006 to 16 May 2011. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at the Latest Practicable Date.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interest on the short position in any shares or underlying shares of the Company as at the Latest Practicable Date.

(II) *Interests and short positions in the securities of the associated corporations of the Company*

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Li Shu Fu	Geely Group	50,000	–	100%
Mr. Li Shu Fu	Zhejiang JV	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Shanghai Maple JV	(Note 2)	–	(Note 2)

Notes:

- (1) Zhejiang JV is incorporated in the PRC and is 53.19%-owned by Zhejiang Geely Merrie. Zhejiang Geely Merrie is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 72.7%-owned by Mr. Li.
- (2) Shanghai Maple JV is incorporated in the PRC and is 53.19%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 72.7%-owned by Mr. Li.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interest on the short position in any shares or underlying shares of the associated corporations of the Company as at the Latest Practicable Date.

(b) Substantial Shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations (other than the Directors) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's/corporate's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name of Shareholder	Capacity	Number of shares held		Shareholding percentage (%)
		Long Position	Short Position	
Proper Glory (Note)	Beneficial owner	2,500,000,000	–	60.22%
Geely Group (Note)	Beneficial owner	87,000	–	0.002%
	Corporate	2,500,000,000	–	60.22%
Deutsche Bank Aktiengesellschaft	Corporate	307,323,327	13,495,110	7.07%

Note: Proper Glory is a private company incorporated in the British Virgin Islands and is wholly-owned by Geely Group. Geely Group is a private company incorporated in the British Virgin Islands and is wholly-owned by Mr. Li.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

4. COMPETING INTEREST

Further to the formation of the Zhejiang Kingkong JV and the Zhejiang Ruhoo JV, Geely Holding, which is ultimately owned by Mr. Li and his associates, has signed agreements or been in negotiations with local governments in the PRC to set up production plants for the manufacture and distribution of sedans in four locations, namely Lanzhou, Xiangtan, Ningbo and Jinan (“Potential Business”). To demonstrate Mr. Li’s continued commitment to the Group, Geely Holding has provided a written undertaking in favor of the Group (the “Undertaking”) that:

- (1) Geely Holding will undertake and warrant and cause its subsidiaries to undertake and warrant to refrain from research and development, production and sales of any products which are in competition with the products produced by the Group and/or its associated companies (“Products”). The Products include (i) new models produced by the Group and/or its associated companies in the future and (ii) improved versions of the existing models currently produced by the Group and/or its associated companies; and
- (2) upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Mr. Li will, and will procure his associates (other than the Group) to sell to the Group (a) all of the Potential Businesses and related assets, and (b) new projects that might constitute competing businesses to those currently engaged by the Group or the Company’s two associates undertaken by Geely Holding subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their associates had any interests which competed or was likely to compete, either directly or indirectly, with the Company’s business.

5. LITIGATION

None of the members of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any known material change in the financial or trading prospect of the Group since 31 December 2005, the date to which the latest audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

8. QUALIFICATION AND CONSENT

Name	Qualification
Taifook Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Sallmanns (Far East) Limited	an independent property valuer

Each of Taifook Capital and Sallmanns has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of Taifook Capital and Sallmanns was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, each of Taifook Capital and Sallmanns did not have any direct or indirect interest in any asset which had been, since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary and qualified accountant of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road Wanchai, Hong Kong during normal business hours between the period from 27 November 2006 to 20 December 2006 (both days inclusive):

- (a) the Zhejiang Kingkong JV Agreements;
- (b) the Zhejiang Ruhoo JV Agreements;
- (c) the letter of recommendation from the Independent Board Committee of the Company to the Independent Shareholders as set out in this circular;
- (d) the letter from Taifook Capital, the text of which is set out in this circular;
- (e) the letter and valuation certificate issued by Sallmanns, the text of which is set out in Appendix I of this circular; and
- (f) the consent letter of Taifook Capital and Sallmanns referred to in the section headed "Qualification and consent" in this appendix.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Geely Automobile Holdings Limited (the “**Company**”) will be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, on Wednesday, 20 December 2006 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the conditional agreement dated 25 October 2006 (as supplemented by a supplemental agreement dated 27 November 2006, together the “**Zhejiang Kingkong JV Agreements**”) entered into between Geely Holding Limited and Centurion Industries Limited (“**Centurion**”), a wholly-owned subsidiary of the Company, copies of which are tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purposes, pursuant to which Geely Holding Limited and Centurion will establish a Sino-foreign equity joint venture with a total investment of RMB701,648,000.00 and registered capital of RMB234,992,552.97 and to be owned as to 53.19% by Geely Holding Limited and as to 46.81% by Centurion respectively, together with the transactions contemplated under the Zhejiang Kingkong JV Agreements be and is hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the transactions contemplated under the Zhejiang Kingkong JV Agreements.”

(2) “**THAT:**

- (a) the conditional agreement dated 25 October 2006 (as supplemented by a supplemental agreement dated 27 November 2006, together the “**Zhejiang Ruhoo JV Agreements**”) entered into between Zhejiang Haoqing Automobile Manufacturing Company Limited (“**Zhejiang Haoqing**”) and Centurion Industries Limited (“**Centurion**”), a wholly-owned subsidiary of the Company, copies of which are tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purposes, pursuant to which Zhejiang Haoqing and Centurion will establish a Sino-foreign equity joint venture with a total investment of RMB389,320,000.00 and registered capital of RMB151,676.992.10 and to be owned as to 53.19% by Zhejiang Haoqing

NOTICE OF EGM

and as to 46.81% by Centurion respectively, together with the transactions contemplated under the Zhejiang Ruhoo JV Agreements be and is hereby approved, confirmed and ratified; and

- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the transactions contemplated under the Zhejiang Ruhoo JV Agreements.”

SPECIAL RESOLUTION

- (3) “**THAT** the articles of association of the Company be amended as follow:

- (a) in Article 80:

- (i) by deleting the full-stop at the end of the existing Article 80(d) and replacing therewith a semicolon and the word “or”; and

- (ii) by inserting the following as new Article 80(e):

- “(e) if required by the Listing Rules of the Exchange, by any Director or any Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.”; and

- (iii) by inserting the following words at the end of Article 80:

- “If a poll is duly demanded the result of the poll shall be deemed to be the resolutions of the meeting at which the poll was demanded. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules of the Exchange.”

- (b) in Article 99:

- (i) by inserting the words “the next following general meeting of the Company (in the case of filling a casual vacancy) or” immediately after the words “Any Director so appointed shall hold office only until” appearing in the second sentence;

- (ii) by inserting the words “(in the case of an addition to their number)” immediately after the words “annual general meeting of the Company” appearing in the second sentence;

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(c) by deleting the words “a special” and replacing therewith the words “an ordinary” in Article 106(vii);

(d) by deleting Article 116 in its entirety and substituting therefor the following:

“116 Notwithstanding any other provisions in these Articles and subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting, provided always that any Director appointed pursuant to Article 119 or Article 122(a) shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.”;

(e) by deleting Article 119 in its entirety and substituting therefor the following:

“119(a) The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two;

119(b) The Company may from time to time in general meeting by ordinary resolution elect any person as Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at the meeting, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting; and

119(c) The Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the maximum number of Directors so appointed shall not exceed the number determined from time to time by the Members in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number), and shall then be eligible for re-election at the meeting, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.”;

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- (f) by deleting Article 122(a) in its entirety and substituting therefor with the following new Article 122(a):

“122(a) Subject to any provision to the contrary in these Articles the Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the notice of such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and at such meeting such Directors shall be entitled to be heard on the motion for his removal. A vacancy on the Board created by the removal of a Director under the provisions of Article 122(a) may be filled by the election or appointment by ordinary resolution of the Members at the general meeting at which such Director is removed.”;

- (g) by inserting the words “Regular board meetings should be held at least four (4) times a year at approximately quarterly intervals.” immediately after the first sentence in Article 123.
- (h) by inserting the words “Notice of at least 14 days should be given for a regular board meeting. For all other board meetings, reasonable notice should be given.” immediately after the first sentence in Article 124.

and **THAT** the reprinted new memorandum and articles of association of the Company, incorporating all resolutions passed in connection with the amendments to the articles of association of the Company up to the conclusion of this meeting, marked “C” produced to this meeting and for identification purpose signed by the chairman of this meeting, be and is hereby approved and adopted as the new memorandum and articles of association of the Company in substitution for the existing memorandum and articles of association of the Company.”

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

Hong Kong, 27 November 2006

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Head office and principal place of business in Hong Kong:

Room 2301, 23rd Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular of the Company dated 28 November 2006.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his/her proxy to attend and vote, in the event of a poll, instead of him/her. A proxy need not be a member of the Company but must attend the meeting in person to represent him/her.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share(s), any one of such joint holders may vote at the meeting, either in person or by proxy (in the case of a poll), in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy (in the case of a poll). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.