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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Geely Automobile Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited



G.K. Goh Securities (H.K.) Limited

Joint Independent Financial Advisers



A letter from the board of directors of Geely Automobile Holdings Limited is set out on pages 4 to 9 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 10 of this circular. A letter from the Joint Independent Financial Advisers containing their advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 15 of this circular.

A notice convening the extraordinary general meeting of Geely Automobile Holdings Limited to be held at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 24 June 2005 at 10:00 a.m. is set out on pages 21 to 22 of this circular. A form of proxy for use by the Independent Shareholders at the aforesaid extraordinary general meeting and at any adjournment thereof is also enclosed. Whether or not you propose to attend and vote at the meeting, 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 registrar, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester 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 meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting, or any adjourned meeting, should you so wish.

8 June 2005

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DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual value of the Continuing Connected Transactions for each of the three financial years ended 31 December 2007
“acting in concert”	the same meaning ascribed to it under the Takeovers Code
“associate(s)”	the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BCOM”	BCOM Securities Company Limited, a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Completion”	completion of the Share Transfer Agreement
“Continuing Connected Transactions”	the transactions for the sales of automobile parts and components by Fulin Guorun to Zhejiang Geely JV and its subsidiaries
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 24 June 2005 at 10:00 a.m. to approve the Supply Agreement including the Annual Caps
“Fulin Guorun”	Zhejiang Fulin Guorun Automobiles Parts & Components Co. Ltd., a company incorporated in the PRC, and owned as to 51% by the Company and 49% by Zhejiang Fulin Automobiles Parts & Components Co. Ltd., an independent third party
“Fortune Door”	Fortune Door Investment Limited, one of the Vendors interested in 28% of the issued share capital of Proper Glory prior to Completion, is a private company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ku Wai Kwan, an executive Director
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee comprising the three independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex
“Independent Shareholders”	Shareholders other than Proper Glory and its associates
“Joint Independent Financial Advisers”	Tai Fook and BCOM
“Latest Practicable Date”	7 June 2005, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Xuechu, one of the Vendors under the Share Transfer Agreement and interested in 32% of the issued share capital of Proper Glory prior to Completion, is the chairman and an executive Director
“Mr. Li”	Mr. Li Shu Fu, the sole shareholder and sole director of the Offeror, and is indirectly interested in 100% of the issued share capital of Proper Glory
“Offeror”	Geely Group Limited (formerly known as Sapient Group Limited), a company incorporated on 3 December 2003 in the British Virgin Islands with limited liability and which is beneficially owned as to 100% by Mr. Li
“PRC”	the People’s Republic of China
“Proper Glory”	Proper Glory Holding Inc., a company incorporated in the British Virgin Islands with limited liability, is the controlling Shareholder interested in approximately 60.68% of the issued share capital of the Company and is wholly owned by the offeror
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholders”	holders of Shares
“Share Transfer Agreement”	the agreement dated 6 May 2005 for the sale and purchase of 68 shares of US\$1 each in Proper Glory, representing 68% of its issued share capital, entered into between the Offeror as purchaser and Mr. He, Fortune Door and Venture Link as vendors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the master supply agreement dated 6 May 2005 entered into between Fulin Guorun and Zhejiang Geely JV for the sale and purchase of automobile parts and components
“Tai Fook”	Tai Fook Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Venture Link”	Venture Link Assets Limited, one of the Vendors interested in 8% of the issued share capital of Proper Glory prior to Completion, is a private company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Zhou Teng, an executive Director
“Zhejiang Geely JV”	Zhejiang Geely Automobile Co. Ltd., a sino-foreign joint venture company incorporated in the PRC, and owned as to 46.8% by the Company and 53.2% by Zhejiang Geely
“Zhejiang Geely”	Zhejiang Geely Holding Limited, a company incorporated in the PRC and is ultimately owned by Mr. Li and his associates
“%”	per cent.

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)

As at the date of this circular, the followings are the Directors:

Executive Directors:

Mr. He Xuechu (*Chairman*)
Mr. Xu Xing Yao
Mr. Ang Siu Lun, Lawrence
Mr. Ku Wai Kwan
Mr. Zhou Teng
Mr. Nan Yang
Mr. Zhang Zhe
Mr. Wong Hing Kwok

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

Independent non-executive Directors:

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

8 June 2005

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION AND BACKGROUND

On 10 May 2005, the Company announced that the Company and Zhejiang Geely JV entered into the Supply Agreement on 6 May 2005.

On 19 May 2005, the Company and the Offeror jointly announced that Completion took place on 19 May 2005. Following Completion, the Offeror and parties acting in concert with it became interested in 2,500 million Shares, representing approximately 60.68% of existing issued share capital of the Company as at the Latest Practicable Date.

Prior to Completion, Mr. Li was not a connected person of the Company, as Mr. Li did not hold more than 50% of the issued share capital of Proper Glory nor was he a director of Proper Glory or of the Company. Hence, prior to Completion, any transactions between the Group and Mr. Li or his associates did not constitute connected transactions under the Listing Rules. Upon Completion which took place on 19 May 2005, Mr. Li became the ultimate controlling Shareholder, and thus a connected person of the Company.

LETTER FROM THE BOARD

Fulin Guorun, a 51% owned subsidiary of the Company, has been in its usual and ordinary course of business, selling automobile parts and components on normal commercial terms to an associated company of the Company, Zhejiang Geely JV and its subsidiaries since December 2003. Fulin Guorun is principally engaged in the manufacturing and trading of automobile parts and components in the PRC. Mr Li is the ultimate controlling shareholder of Zhejiang Geely JV. The transactions between Fulin Guorun and Zhejiang Geely JV constitute continuing connected transactions for the Company. The Supply Agreement was entered into between Fulin Guorun and Zhejiang Geely JV to govern the terms of the Continuing Connected Transactions for the period from the date of approval of the Supply Agreement by the Independent Shareholder at the EGM to 31 December 2007.

The purpose of this circular is to provide you with further details of the Supply Agreement, the Continuing Connected Transactions and the Annual Caps. The Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Supply Agreement and the Annual Caps in relation to the Continuing Connected Transactions. Tai Fook and BCOM have been appointed as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders. A letter from the Independent Board Committee is set out on page 10 of this circular and a letter from the Joint Independent Financial Advisers is set out on pages 11 to 15 of this circular.

In view of the interests of Mr. Li in the Continuing Connected Transactions, Mr. Li and his associates will abstain from voting in relation to the resolution approving the Supply Agreement including the Annual Caps at the EGM.

THE SUPPLY AGREEMENT DATED 6 MAY 2005

- Parties:
- (i) Fulin Guorun, a 51% owned subsidiary of the Company;
 - (ii) Zhejiang Geely JV, whose principal business is engaged in the design and manufacture of automobiles in the PRC.

Nature of transaction

Fulin Guorun will, in its usual and ordinary course of business, enter into transactions with Zhejiang Geely JV for the sale of automobile parts and components to Zhejiang Geely JV and its subsidiaries in the manufacture of automobiles.

LETTER FROM THE BOARD

Term

From the date of approval of the Supply Agreement by the Independent Shareholders at the EGM to 31 December 2007, and if there is no agreement on the extension period three months prior to the date of expiry of the Supply Agreement, the Supply Agreement will automatically be renewed for 1 year thereafter. The Company will comply with the relevant provisions of Chapter 14A of the Listing Rules upon renewal of the Supply Agreement.

Pricing basis

The consideration payable under the transactions pursuant to the Supply Agreement will be determined at arm's length negotiations between the relevant parties with reference to prevalent market price or on no more favourable terms to Zhejiang Geely JV and its subsidiaries than those offered by Fulin Guorun to other independent third parties.

The terms of the Supply Agreement have been determined on an arm's length basis and the transactions pursuant thereto will be conducted in the ordinary course of business of the parties concerned and on normal commercial terms.

Condition precedent

The Supply Agreement shall be conditional upon the resolution in respect of the Supply Agreement having been passed by the Independent Shareholders by poll at the EGM in accordance with the requirements of the Listing Rules.

ANNUAL CAPS

The Directors expect that the annual aggregate amount of the transactions contemplated under the Supply Agreement will not exceed HK\$60 million, HK\$80 million and HK\$95 million for each of the three years ending 31 December 2005, 2006 and 2007 respectively. The Annual Caps have been determined by the executive Directors with reference to:

- (i) the expected increase in Fulin Guorun's sales volume of automobile parts and components to Zhejiang Geely JV in accordance with the expected growth in the business volume of Zhejiang Geely JV for each of the three years ending 31 December 2007;
- (ii) the increase in the variety of automobile parts and components to be manufactured by Fulin Guorun for each of the three years ending 31 December 2007 based on the expected growth of the business volume of Zhejiang Geely JV during the same period;
- (iii) the historical transaction amount of approximately HK\$23.0 million of the Continuing Connected Transactions for the year ended 31 December 2004; and
- (iv) the price trend of the automobile parts and components manufactured by Fulin Guorun in the coming years.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE SUPPLY AGREEMENT

The Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components in the PRC. The Supply Agreement will provide the Group with an additional source of revenue for the Group's products. The Directors consider that the Supply Agreement will enable the Group to generate steady revenue from the trading of automobile parts and components. Furthermore, the Directors also consider that the terms of the Supply Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Apart from the Continuing Connected Transactions, following closing of the Offer, the Directors will take a further review of the business opportunities and future collaboration between the Group and Zhejiang Geely and its subsidiaries to see if there would be any other possible continuing connected transactions to be effected between the two group of companies. Further announcement in connection with other any possible continuing connected transactions will be made by the Company as and when appropriate in accordance with the Listing Rules.

CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions will be required to be approved by the Independent Shareholders and will also be subject to the following conditions:

- (1) the Continuing Connected Transactions will be entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available from Independent Third Parties; and
 - (iii) in accordance with the Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (2) the relevant amount of Continuing Connected Transactions for each of the three financial years ending 31 December 2007 shall not exceed the relevant Annual Caps (as described above);
- (3) the independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm in the Company's corresponding annual report that the Continuing Connected Transactions have been conducted in the manner as stipulated in paragraph (1) above;

LETTER FROM THE BOARD

- (4) the auditors of the Company shall review annually the Continuing Connected Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether such Continuing Connected Transactions:
- (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the Supply Agreement governing the transactions; and
 - (iv) have not exceeded the relevant Annual Caps;
- (5) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in the paragraph (1), (3) and/or (4) respectively;
- (6) each of the member company of the Group shall provide to the Stock Exchange an undertaking and shall procure that the relevant counterparties to the Continuing Connected Transactions that, for so long that the Shares are listed on the Stock Exchange, it will provide the Company's auditors with sufficient access to the relevant records for the purpose of the auditors' review of the Continuing Connected Transactions referred to in paragraph (4) above.

EGM

As the amount of the Continuing Connected Transactions on an annual basis is expected to exceed the 2.5% threshold stated in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will constitute non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules and be subject to the requirements of reporting, announcement and approval by the Independent Shareholders at the EGM as set out in Chapter 14A of the Listing Rules. In the circumstances, the notice convening the EGM at which an ordinary resolution will be proposed to approve the Supply Agreement and the respective Annual Caps in relation to the Continuing Connected Transactions is set out on pages 21 to 22 of this circular.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 10 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Supply Agreement (including the Annual Caps); and (ii) the letter from the Joint Independent Financial Advisers dated 8 June 2005 set out on pages 11 to 15 of this circular which contains their recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreement (including the Annual Caps) and the principal factors considered by the Joint Independent Financial Advisers in arriving at their recommendation.

ACTION TO BE TAKEN

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, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester 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.

By Order of the Board
Geely Automobile Holdings Limited
He Xuechu
Chairman



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)

8 June 2005

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 8 June 2005 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of each of the Supply Agreement and the Annual Caps in relation to the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Joint Independent Financial Advisers, as set out on pages 11 to 15 of the Circular and the letter from the Board as set out on pages 4 to 9 of the Circular.

Having taken into account the advice from the Joint Independent Financial Advisers and in particular the principal factors set out in the letter from the Joint Independent Financial Advisers, we consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. We also consider that the entering into of the Supply Agreement is in the interests of the Company and the Shareholders as a whole. Further, the Independent Board Committee considers that the relevant Annual Caps 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 ordinary resolution to be proposed at the EGM to approve the Supply Agreement including the Annual Caps.

Yours faithfully,

Mr. Lee Cheuk Yin, Dannis

Mr. Song Lin

Mr. Yeung Sau Hung, Alex

Independent non-executive Directors



大福融資有限公司
TAI FOOK CAPITAL LIMITED

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



交通證券有限公司
BCOM SECURITIES COMPANY LIMITED

BCOM Securities Company Limited
Rooms 201-202
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

8 June 2005

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in relation to the Supply Agreement and the Annual Caps, details of which are set out in the "Letter from the Board" ("Letter from the Board") of the circular of the Company dated 8 June 2005 (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.

As referred to in the Letter from the Board, on 6 May 2005, Fulin Guorun, a 51% owned subsidiary of the Company, and Zhejiang Geely JV entered into the Supply Agreement in relation to the sale of automobile parts and components by Fulin Guorun to Zhejiang Geely JV and its subsidiaries. Upon Completion which took place on 19 May 2005, Mr. Li became the ultimate controlling Shareholder, and thus a connected person of the Company under the Listing Rules. As Mr. Li is also the ultimate controlling shareholder of Zhejiang Geely JV, the transactions contemplated under the Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the approval of the Independent Shareholders by poll at the EGM. Mr. Li and his associates will abstain from voting in relation to the resolution approving the Supply Agreement and the Annual Caps at the EGM.

The Independent Board Committee comprising the three independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex, has been established to advise the Independent Shareholders on the terms of the Supply Agreement and the Annual Caps. In our capacity as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether (i) the entering into the Supply Agreement is in the interests of the Company and Independent Shareholders as a whole and in the ordinary and usual course of business of the Group and the terms thereof are on normal commercial terms and fair and reasonable; and (ii) the Annual Caps are fair and reasonable.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts supplied to us and representations expressed by the Directors and/or management of the Group 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 of despatch of the Circular and during the period up to the date of the EGM. We have been advised by the Directors and/or the management of the Group 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 such information provided and 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 Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Supply Agreement and the Annual Caps, we have considered the following principal factors and reasons:

I. Background and reasons

The Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components in the PRC.

As disclosed in the Letter from the Board, Fulin Guorun is principally engaged in the manufacturing and trading of automobile parts and components in the PRC and it has been, in its usual and ordinary course of business, selling automobile parts and components on normal commercial terms to Zhejiang Geely JV and its subsidiaries since December 2003. The Directors consider that the Supply Agreement will enable the Group to generate steady revenue from the trading of automobile parts and components and that the terms of the Supply Agreement are in the interests of the Company and the Shareholders as a whole.

We note from the paragraph headed “Annual Caps” of the Letter from the Board that for the year ended 31 December 2004, the amount of sales of automobile parts and components by Fulin Guorun to Zhejiang Geely JV and its subsidiaries was approximately HK\$23.0 million, which represented approximately 56% of the audited total turnover of the Group for the year ended 31 December 2004. As advised by the Directors, for the year ended 31 December 2004, approximately 72% and 5% (or approximately HK\$1.5 million (without the inclusion of value-added tax)) of the total turnover of Fulin Guorun were attributable to Zhejiang Geely JV and its subsidiaries and independent third parties (excluding associates of Mr. Li) respectively.

II. Terms of the Supply Agreement

Pursuant to the Supply Agreement, which was entered into between Fulin Guorun and Zhejiang Geely JV, Fulin Guorun will supply to Zhejiang Geely JV automobile parts and components that are needed by Zhejiang Geely JV and its subsidiaries. As disclosed in the Letter from the Board, the term of the Supply Agreement will be from the date of approval of the Supply Agreement by the Independent Shareholders at the EGM to 31 December 2007, and if there is no agreement on the extension period three months prior to the date of expiry of the Supply Agreement, the Supply Agreement will automatically be renewed for 1 year thereafter. The Company will comply with the relevant provisions of Chapter 14A of the Listing Rules upon renewal of the Supply Agreement.

We note from the Letter from the Board that the consideration payable under the transactions pursuant to the Supply Agreement will be determined at arm's length negotiations between the relevant parties with reference to prevalent market price or on no more favourable terms to Zhejiang Geely JV and its subsidiaries than those offered by Fulin Guorun to other independent third parties. It is also stated in the Letter from the Board that the terms of the Supply Agreement have been determined on an arm's length basis and the transactions pursuant thereto will be conducted in the ordinary course of business of the parties concerned and on normal commercial terms.

We understand from the Directors that apart from the sales of automobile parts and components to Zhejiang Geely JV and its subsidiaries, the Group has also entered into and will continue to enter into similar transactions with independent third parties. In reviewing the terms of the Supply Agreement, we have reviewed the prices in the sale transactions by Fulin Guorun to an independent third party totaling approximately RMB1.5 million (without the inclusion of value-added tax). We have compared, on a random basis, the prices of some automobile parts and components sold by Fulin Guorun to Zhejiang Geely JV and/or its subsidiaries with the prices of those automobile parts and components sold by Fulin Guorun to an independent third party during the year ended 31 December 2004. We found that the prices of automobile parts and components sold by Fulin Guorun to Zhejiang Geely JV and/or its subsidiaries were not lower than the prices of automobile parts and components sold by Fulin Guorun to an independent third party during the year ended 31 December 2004.

In view of the above and the fact that (i) the nature of the Continuing Connected Transactions is within the Group's existing business activities; (ii) the revenue generated from the sales by Fulin Guorun to Zhejiang Geely JV and its subsidiaries constituted a significant portion of the total turnover of the Group for the year ended 31 December 2004 and the entering into the Supply Agreement will enable the Group to continue to generate recurring revenue by selling the Group's products to Zhejiang Geely JV and its subsidiaries; and (iii) the consideration payable under the transactions pursuant to the Supply Agreement will be determined at arm's length negotiations between the relevant parties with reference to prevalent market price or on no more favourable terms to Zhejiang Geely JV and its subsidiaries than those offered by Fulin Guorun to other independent third parties, and will be conducted on normal commercial terms, we concur with the views of the Directors that the entering into the Supply Agreement is in the interests of the Company and the Independent Shareholders as a whole and in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

III. The Annual Caps

The Directors expect that the annual aggregate amount of the transactions contemplated under the Supply Agreement will not exceed HK\$60 million, HK\$80 million and HK\$95 million for each of the three years ending 31 December 2005, 2006 and 2007 respectively.

We have discussed with the management of the Group the basis of the Annual Caps and understand that the following factors have been taken into consideration in determining the Annual Caps:

- (i) the historical amount of sales of automobile parts and components by Fulin Guorun to Zhejiang Geely JV and its subsidiaries of approximately HK\$23.0 million for the year ended 31 December 2004. Such amount was approximately HK\$26.9 million if value-added tax has been included. The Annual Caps are expected sale amounts with value-added tax having been included;
- (ii) the expected increase in Fulin Guorun's sales volume of automobile parts and components to Zhejiang Geely JV and its subsidiaries and the increase in the variety of automobile parts and components to be manufactured by Fulin Guorun as a result of the expected growth in the business volume of Zhejiang Geely JV and its subsidiaries for each of the three years ending 31 December 2007; and
- (iii) the fact that approximately 81% of the products sold by Fulin Guorun to Zhejiang Geely JV and its subsidiaries for the year ended 31 December 2004 was for a plant located in Linhai, Taizhou (the "Linhai Plant"), which was acquired by Zhejiang Geely JV in July 2004. With the inclusion of full-year demand of the Group's products by the Linhai Plant in 2005, the Directors expect that the revenue to be generated from the sale of Fulin Guorun's automobile parts and components to the Linhai Plant will increase significantly for the year ending 31 December 2005.

According to the information published on the website of China Association of Automobile Manufacturers, the PRC automobile industry recorded a rapid growth in 2003, with the sales volume of automobile in 2003 amounting to approximately 4.4 million units, representing an increase of approximately 34% as compared to 2002. Sales of sedans amounted to approximately 2.0 million units in 2003, representing an increase of approximately 75% as compared to 2002. In the first half of 2004, the sales volume of automobile amounted to approximately 2.6 million units, representing an increase of approximately 24% as compared to the last corresponding period. For sedans, sales volume in the first half of 2004 amounted to approximately 1.1 million units, representing an increase of approximately 32% as compared to the last corresponding period.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Based on the various factors described above, we consider that the Annual Cap of HK\$60 million for 2005, as compared to the actual amount of the sales of automobile parts and components by Fulin Guorun to Zhejiang Geely JV and its subsidiaries of approximately HK\$26.9 million (with the inclusion of value-added tax) for 2004, is reasonable. We further consider that the Annual Cap of HK\$80 million for 2006 (representing an approximately 33% increase as compared to the Annual Cap for 2005) and the Annual Cap of HK\$95 million for 2007 (representing an approximately 19% increase as compared to the Annual Cap for 2006) are reasonable after taking into account the general economic growth of the PRC economy and the fact that Zhejiang Geely JV only commenced business in 2003 and should continue to experience high business growth in the near term.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the entering into the Supply Agreement is in the interests of the Company and the Independent Shareholders as a whole and in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supply Agreement and the Annual Caps.

Yours faithfully,

For and on behalf of

Tai Fook Capital Limited

Derek C.O. Chan

Deputy Managing Director

Heidi Cheng

Director

Yours faithfully,

For and on behalf of

BCOM Securities Company Limited

Steve Wong

Director

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:

(1) *Long position – share options granted by the Company under the employee share option scheme*

Name of director	Capacity	Underlying number of shares in the Company	Approximate shareholding percentage (%)
Mr. Ang Siu Lun, Lawrence	Beneficial Owner	35,000,000	0.85

(2) *Short position*

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 or any of its associated corporations 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:

Long position in Shares

Name	Capacity	Number of shares		Approximate shareholding percentage (%)
		Direct interest	Deemed interest	
Proper Glory (<i>Note (a)</i>)	Beneficial owner	2,500,000,000	–	60.68
Geely Group Limited (<i>Note (b)</i>)	Corporate interest	–	2,500,000,000	60.68
Mr. Li (<i>Note (b)</i>)	Corporate interest	–	2,500,000,000	60.68
Deutsche Bank Aktiengesellschaft	Beneficial owner	223,370,000	–	5.42

Note (a): Proper Glory is a private company incorporated in the British Virgin Islands and is wholly owned by Geely Group Limited, the Offeror.

Note (b): Geely Group Limited is a private company incorporated in the British Virgin Island and is wholly owned by Mr. Li. Geely Group Limited is the 100% holding company of Proper Glory and accordingly is deemed to be interested in the 2,500,000,000 Shares held by Proper Glory.

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

Mr. Ang Siu Lun, Lawrence, an executive Director, entered into a service agreement with the Company for a term of 3 years commencing on 23 February 2004 (until determined by either party giving to the other not less than three month's written notice) at a Director's fee of HK\$1,300,000 per annum without any bonus payment. No other type of emolument is entitled by Mr. Ang Siu Lun, Lawrence under such service agreement.

Save as disclosed above, 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

As at the Latest Practicable Date, none of the Directors and his 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 as at the Latest Practicable Date.

6. 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 2004, 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 2004, 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.

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. PROCEDURES BY WHICH A POLL MAY BE DEMANDED

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.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the Shareholder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders taken at a general meeting to approve connected transactions pursuant to Chapter 14A of the Listing Rules and transactions that are subject to independent shareholders' approval pursuant to the Listing Rules must be taken on a poll. Accordingly, the chairman of the EGM will demand that the ordinary resolution to approve the Supply Agreement and the respective Annual Caps in relation to the Continuing Connected Transactions be decided by poll.

9. CONSENT OF EXPERT

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this document:

Name	Qualification
Tai Fook	a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
BCOM	a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of Tai Fook and BCOM has given, and has not withdrawn, its written consent to the issue of this document 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, Tai Fook and BCOM were 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, Tai Fook and BCOM did not have any direct or indirect interest in any asset which had been, since 31 December 2004, 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.

10. GENERAL

- (a) The company secretary and qualified accountant of the Company is Mr. Cheung Chung Yan, an associate member of the Association of Chartered Certified Accountants.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The English text of this document shall prevail over the Chinese text.

11. 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 8 June 2005 to 23 June 2005 (both days inclusive):

- (a) the Supply Agreement;
- (b) the letter from the Joint Independent Financial Advisers, the text of which is set out in this circular; and
- (c) the consent letter of Tai Fook referred to in the section headed “Consent of Expert” in this appendix.
- (d) the consent letter of BCOM referred to in the section headed “Consent of Expert” in this appendix.

NOTICE OF THE 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 Friday, 24 June 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the supply agreement (the “**Supply Agreement**”) dated 6 May 2005 entered into between Zhejiang Fulin Guorun Automobiles Parts & Components Co. Ltd. (“**Fulin Guorun**”) and Zhejiang Geely Automobile Co. Ltd. (“**Zhejiang Geely JV**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Fulin Guorun will sell automobile parts and components to Zhejiang Geely JV and its subsidiaries in the manufacture of automobiles, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed caps in relation to the Continuing Connected Transactions (as defined in the circular of the Company dated 8 June 2005 (the “**Circular**”), a copy of which is tabled for the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, for each of the three financial years ending 31 December 2007 being HK\$60 million, HK\$80 million and HK\$95 million respectively be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and 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 the Supply Agreement and/or the Continuing Connected Transactions.”

By Order of the Board of
GEELY AUTOMOBILE HOLDINGS LIMITED
He Xuechu
Chairman

Hong Kong, 8 June 2005

NOTICE OF THE EGM

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 this circular.
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, Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester 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.