



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)

**ANNOUNCEMENT OF INTERIM RESULTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2007**

INTERIM RESULTS

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007. These interim results have been reviewed by the Company’s Audit Committee, comprising solely the independent non-executive directors, one of whom chairs the committee, and the Company’s auditors, Grant Thornton.

**CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	NOTE	Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover/Revenue		65,638	69,331
Cost of sales		(57,536)	(59,986)
Gross profit		8,102	9,345
Other income		9,658	7,840
Distribution and selling expenses		(1,781)	(1,949)
Administrative expenses		(22,082)	(10,714)
Finance costs	4	(20,804)	(10,142)
Fair value loss on embedded derivatives components of convertible bonds		(18,629)	(7,518)
Share of results of associates	9	129,615	137,680
Profit before taxation		84,079	124,542
Taxation	5	(730)	(842)
Profit for the period	4	83,349	123,700
Attributable to:			
Equity holders of the Company		82,416	120,699
Minority interests		933	3,001
		83,349	123,700
Dividends	6	57,327	41,203
Earnings per share	7		
Basic		HK1.77 cents	HK2.93 cents
Diluted		HK1.74 cents	HK2.78 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTE	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	13,513	12,282
Interest in associates	9	1,858,684	1,666,999
		<u>1,872,197</u>	<u>1,679,281</u>
Current assets			
Inventories	10	11,819	9,910
Tax recoverable		707	–
Trade and other receivables	11	68,536	59,065
Dividend receivables from associates		219,628	74,840
Bank balances and cash		623,021	20,972
		<u>923,711</u>	<u>164,787</u>
Current liabilities			
Trade and other payables	13	32,908	23,653
Amount due to immediate holding company		3,720	11,220
Taxation		–	293
Convertible bonds – embedded derivatives	12	51,515	53,888
Short-term bank borrowings (secured)		19,010	22,250
		<u>107,153</u>	<u>111,304</u>
Net current assets		<u>816,558</u>	<u>53,483</u>
Total assets less current liabilities		<u><u>2,688,755</u></u>	<u><u>1,732,764</u></u>
Capital and reserves			
Share capital		101,345	83,028
Reserves		1,925,932	947,129
Equity attributable to equity holders of the Company		<u>2,027,277</u>	<u>1,030,157</u>
Minority interests		230,807	19,769
Total Equity		<u>2,258,084</u>	<u>1,049,926</u>
Non-current liabilities			
Convertible bonds	12	430,671	682,838
		<u>430,671</u>	<u>682,838</u>
		<u><u>2,688,755</u></u>	<u><u>1,732,764</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs” which term collectively includes individual HKFRSs, HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2007 as follows:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2 ³
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Interpretation 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business Segments

No business segment information has been presented for the six months ended 30 June 2007 and 30 June 2006 as the directors consider that the Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the periods.

Geographical segments

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

4. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Finance costs		
Effective interest expense on convertible bonds	20,656	10,142
Interest on bank borrowings wholly repayable within one year	148	—
	<u>20,804</u>	<u>10,142</u>
Total finance costs		
	<u>20,804</u>	<u>10,142</u>
Staff costs, including directors' emoluments		
Salaries, wages and other benefits	8,115	6,346
Retirement benefits scheme contributions	776	136
Recognition of share based payments (included in administrative expenses)	1,349	2,985
	<u>10,240</u>	<u>9,467</u>
Total staff costs		
	<u>10,240</u>	<u>9,467</u>
Other items		
Interest income	(8,239)	(6,975)
Cost of inventories sold	57,536	59,986
Depreciation	869	622
Share of tax of associates (included in share of results of associates)	7,197	15,837
	<u><u>7,197</u></u>	<u><u>15,837</u></u>

5. TAXATION

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC foreign enterprise income tax	<u>730</u>	<u>842</u>

Hong Kong Profits Tax has not been provided for the period as the companies within the Group had no estimated assessable profits in Hong Kong.

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

6. DIVIDENDS

During the current period, a final dividend and a special dividend for the year ended 31 December 2006 of HK\$0.01 per share (2006: HK1 cent per share) and HK\$0.002 (2006: Nil) per share respectively, amounting to HK\$57,327,000 (2006: HK\$41,203,000), were paid to the shareholders.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$82,416,000 (2006: HK\$120,699,000) and weighted average number of ordinary shares of 4,667,546,612 shares (2006: 4,120,264,902 shares), calculated as follows:

(i) *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	4,151,388,496	4,120,264,902
Effect of new shares issued	447,513,812	–
Effect of shares issued upon conversion of convertible bonds	<u>68,644,304</u>	–
Weighted average number of ordinary shares at 30 June	<u>4,667,546,612</u>	<u>4,120,264,902</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of HK\$82,416,000 (2006: HK\$138,359,000) and the weighted average number of ordinary shares of 4,745,191,036 shares (2006: 4,970,176,228 shares), calculated as follows:

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

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit attributable to equity holders)	82,416	120,699
After tax effect of effective interest on the liability component of convertible bonds	–	10,142
After tax effect of fair value losses on embedded derivative components of convertible bonds	–	7,518
	<u>–</u>	<u>7,518</u>
Earnings for the purpose of diluted earnings per share	<u>82,416</u>	<u>138,359</u>

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

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,667,546,612	4,120,264,902
Effect of deemed conversion of convertible bonds	–	833,258,427
Effect of deemed issue of shares under the Company's share option scheme	77,644,424	16,652,899
	<u>77,644,424</u>	<u>16,652,899</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,745,191,036</u>	<u>4,970,176,228</u>

The effect of deemed conversion of convertible bonds for the period has not been included in the calculation of diluted earnings per share because it is anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$1,902,000 (2006: HK\$4,374,000).

9. INTEREST IN ASSOCIATES

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Share of net assets other than goodwill	1,844,211	1,666,999
Goodwill	<u>14,473</u>	<u>–</u>
	<u>1,858,684</u>	<u>1,666,999</u>

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

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Total assets	10,110,766	6,949,568
Total liabilities	<u>(5,746,464)</u>	<u>(3,388,365)</u>
Net assets	<u>4,364,302</u>	<u>3,561,203</u>
Group’s share of net assets of associates	<u>1,844,211</u>	<u>1,666,999</u>

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	<u>5,006,190</u>	<u>3,288,163</u>
Profit for the period attributable to equity holders of the associates	<u>276,895</u>	<u>294,189</u>
Group's share of results of associates for the period	<u>129,615</u>	<u>137,680</u>

10. INVENTORIES

	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At costs:		
Raw materials	7,518	5,656
Work in progress	310	1,000
Finished goods	<u>3,991</u>	<u>3,254</u>
	<u>11,819</u>	<u>9,910</u>

11. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade and notes receivables		
Trade receivables from an associate	30,526	20,538
Notes receivables	<u>28,500</u>	<u>37,405</u>
	59,026	57,943
Other receivables		
Deposits, prepayments and other receivables	<u>9,510</u>	<u>1,122</u>
	<u>68,536</u>	<u>59,065</u>

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
0 – 60 days	30,526	20,503
61 – 90 days	–	35
	<u>30,526</u>	<u>20,538</u>

12. CONVERTIBLE BONDS

Details of the terms of the convertible bonds are set out in the Company's annual report for the year ended 31 December 2006. Convertible bonds contain a liability component and the embedded derivatives (comprising a put option, a call option and conversion option), which are required to be accounted for separately. The movements of the convertible bonds for the period are set out below:

	Six months ended 30 June 2007 HK\$'000 (Unaudited)	Year ended 31 December 2006 HK\$'000 (Audited)
Liability component		
Carrying amount brought forward/Fair value at inception	682,838	689,917
Issuing costs	–	(13,632)
Conversion during the period/year	(272,823)	(25,736)
Accrued effective interest charges	20,656	32,289
	<u>430,671</u>	<u>682,838</u>
Fair value of embedded derivative in respect of the put option and conversion option		
Carrying amount brought forward/Fair value at inception	169,782	192,714
Conversion during the period/year	(66,169)	(10,694)
Changes in fair value	135,130	(12,238)
	<u>238,743</u>	<u>169,782</u>
Less: Fair value of embedded derivative in respect of the call option		
Carrying amount brought forward/Fair value at inception	115,894	141,126
Conversion during the period/year	(45,167)	(8,252)
Changes in fair value	116,501	(16,980)
	<u>187,228</u>	<u>115,894</u>
	<u>51,515</u>	<u>53,888</u>

The principal amount of the convertible bonds converted during the period was HK\$278.2 million (year ended 31 December 2006: HK\$27.7 million) and the principal amount outstanding at 30 June 2007 is HK\$435.7 million (31 December 2006: HK\$713.9 million).

The derivatives embedded in the convertible bonds are measured at fair value at 30 June 2007 by an independent professional valuer, BMI Appraisals Limited using the Black-Scholes-Merton option pricing model and the discounted cash flow method.

13. TRADE AND OTHER PAYABLES

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Trade payables		
To third parties	26,943	19,498
Other payables		
Accrued charges and other creditors	<u>5,965</u>	<u>4,155</u>
	<u>32,908</u>	<u>23,653</u>

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
0 – 60 days	21,085	16,379
61 – 90 days	3,854	1,407
Over 90 days	<u>2,004</u>	<u>1,712</u>
	<u>26,943</u>	<u>19,498</u>

14. POST BALANCE SHEET EVENTS

On 13 July 2007, the Group entered into agreements with various connected persons to acquire 44.19% of the remaining interests in each of the PRC associates from its respective controlling shareholder and its associates at the total consideration of approximately HK\$1,611 million to be satisfied fully by the issue of 1,288,672,000 ordinary shares of nominal value of HK\$0.02 each at HK\$1.25 per share. In addition, on the same day, the Group entered into agreement with a related party to acquire the remaining 49% interest in the registered capital of the Company's non wholly-owned subsidiary for a total consideration of approximately HK\$23 million, which is payable in cash by primarily applying the dividends to be distributed from the non wholly-owned subsidiary.

The above acquisitions are subject to the approval by the independent shareholders of the Company and at the date of this results announcement, the above acquisitions have not yet been completed.

15. COMPARATIVE FIGURES

Certain comparative figures on the condensed consolidated balance sheet have been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's performance in the first half of 2007 was affected by the intensified competition in China's sedan market, featured by repeated price cuts by major sedan manufacturers and a slow down in the demand for economy sedans in the China market. To cope with the rapid changes in market environment, the Group has embarked on a major strategic transformation, through expansion into higher-end and large sized vehicles and major investments to enhance the Group's technology competence and product branding, aiming at transforming Geely's competitive advantages from price competitive to technology and performance competent. Although the strategic transformation has so far yielded very positive results, it has also caused some short-term negative impact on sales volume growth and profitability so far this year.

The Company's turnover, which principally came from the Company's 51%-owned auto parts subsidiary Zhejiang Fulin Guorun Automobile Parts & Components Co. Ltd ("Zhejiang Fulin"), amounted to HK\$66 million for the six months ended 30 June 2007, representing a small decline of 5% from the same period last year. Profit attributable to shareholders amounted to HK\$82 million, down 32% from the same period in 2006. The decline in net profit was mainly due to the 6% decrease in profit contribution from its four associates: Zhejiang Geely Automobile Company Limited ("Zhejiang Geely"), Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"), Zhejiang Kingkong Automobile Company Limited ("Zhejiang Kingkong") and Zhejiang Ruhoo Automobile Company Limited ("Zhejiang Ruhoo"), the startup costs of Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), the Company's new joint venture with Manganese Bronze Holdings PLC ("Manganese Bronze"), and the large increase in the net expenses related to the outstanding convertible bonds "CBs", including the accrued interests for the debt portion of the CBs and the revaluation deficit of the derivative portion of the CBs. Key contributor to the Company's net profit in the first half of 2007 remained the Company's four associates which recorded a 6% decline in net profit during the period, mainly due to the decline in the sales volume of low end sedans and a 5-6% price cuts during the first half of 2007 for most of their models, which had more than offset the increased profit contribution from new models like "Geely Kingkong".

The earnings performance of the Company's 51%-owned auto parts subsidiary Zhejiang Fulin in the first half of 2007 was also affected by the slower sales of Geely sedans, which utilized the Company's braking and steering products for its lower end models. As a result, Zhejiang Fulin's net profit after tax decreased by around 11% to HK\$5.3 million during the period.

The Company issued 600 million new shares at HK\$1.06 per share in February 2007, raising net proceeds of HK\$609 million, mainly used to fund the capital contribution to Shanghai LTI, the Company's new joint-venture with Manganese Bronze.

Proposal to Acquire Additional Interests in Operating Associates and Zhejiang Fulin

The Company announced on 13 July 2007 that it had signed an agreement with its controlling shareholder to acquire 44.19% stakes in each of the Group's five operating associates: Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely Automobile Components Company Limited

("Hunan Geely") – an associate established in April 2007 to invest in a new plant under construction in Xiangtan of Hunan province, raising its equity interests in these operating associates to 91%, for a total consideration of HK\$1,611 million to be satisfied by the issue of 1,289 million new shares of the Group at HK\$1.25 per share. The consideration of HK\$1,611 million has been determined with reference to the unaudited net asset value of the operating associates on 30 June 2007.

The Company also entered into another agreement on the same day with a connected party for the acquisition of the remaining 49% stake in Zhejiang Fulin, raising its equity interests in Zhejiang Fulin from 51% to 100%, for a total consideration of HK\$23.3 million, payable in cash. The consideration is based on the 49% attributable interest in unaudited net asset value of Zhejiang Fulin on 30 June 2007.

The proposal reflects the management's continued effort to further rationalize and restructure the Group's structure, aiming at improving the Group's overall transparency and its effectiveness as the ultimate holding vehicle of Zhejiang Geely Holding Group Company Limited ("Geely Holding")'s auto-related businesses. The use of new share issue rather than cash to pay for the additional stakes in the operating associates would not only help to reduce the financial burden over the Company, but also help the Group to further expand its capital base to cope with the rapid development of the Group in the future. The acquisitions are subject to approval by relevant government bodies and independent shareholders of the Company and are expected to be completed before the end of 2007.

Automobile Parts Manufacturing – Zhejiang Fulin Guorun Automobile Parts and Components Co. Ltd

51%-owned Zhejiang Fulin is principally engaged in the manufacturing and sales of brake system and electric power steering ("EPS") for sedans. Demand for the Company's products in the first half of 2007 was affected by the slower sales volume growth achieved by Geely and Maple's lower-end sedans, which utilized the Company's braking and steering products. As a result, Zhejiang Fulin's turnover declined by 5% to HK\$66 million and net profit was down 10.6% to HK\$5.3 million in the first half of 2007. Zhejiang Fulin had started to supply new generation of Electric Power Steering ("EPS") for higher end Geely sedans in the first half of 2007. This, coupled with the relocation of production to new facilities completed in mid-2007, should help to improve Zhejiang Fulin's production efficiency and further reduce its production costs. Based on the existing production plan and the progress of new product launches, we are still confident that Zhejiang Fulin's performance should improve in the second half of 2007.

New Joint-venture with Manganese Bronze – Shanghai LTI

In March 2007, the Company set up a new production joint venture, named Shanghai LTI Automobile Components Company Limited, with Manganese Bronze to manufacture the iconic London Taxies, a limousine and two large saloon car models in Shanghai starting from the second half of 2008. The Company invested US\$53.8 million for a 51% stake in Shanghai LTI, plus a 22.83% stake or 5.7 million new shares in Manganese Bronze, which in turn owns 48%-stake in the joint venture. The remaining 1% stake of the joint venture is owned by Shanghai Maple Automobile Company Limited, which is 90%-owned by Geely Holding. Total investment of Shanghai LTI is estimated to be around US\$99.5 million, which is funded by shareholders' capital contribution and subsequent bank borrowings. Manganese Bronze will appoint

Mr. Gui Sheng Yue and Mr. Ang Siu Lun, Lawrence, both are executive directors of the Group, to join the board of Manganese Bronze as non-executive directors with effect from 25 September 2007. The Group will start to equity account for Manganese Bronze's financial results in its financial statements from the second half of 2007.

Shanghai LTI has completed its product plans and has commenced the redesign and reengineering of Manganese Bronze's TX4 models for subsequent production of the localized models in China. Shanghai LTI is scheduled to start production in an existing production plant leased from Shanghai Maple towards the end of 2008. Without revenues during the period, Shanghai LTI recorded a net loss of HK\$3.4 million in the first half of 2007.

Vehicle Manufacturing – Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong and Zhejiang Ruhoo

46.8%-owned Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong and Zhejiang Ruhoo remained the key earnings contributors to the Company, accounting for the bulk of the Company's earnings in the first half of 2007. The four operating associates sold a total of 84,111 units of vehicles in the first six months of 2007, down 3% from the restated sales volume of 86,641 units in the same period last year. The combined market share of Geely and Maple sedans declined from 4.3% in 2006 to 3.7% in the first half of 2007 due to the dramatic drop in the sales volumes of the low-priced models like Haoqing and Ulion, as a result of the Group's strategic transformation towards more performance and technology driven products.

Despite the slight decline in sales volume, the four associates continued to improve their product mixes towards higher-priced models through the introduction of more higher-priced models like "Vision" and the 1.8L "Power Version" of "Geely Kingkong" during the first half of 2007. Sales of the three higher-priced models: "Free Cruiser", "Geely Kingkong" and "Vision" accounted for 59% of their total sales volume in the first half of 2007 compared with only 34% during the same period in 2006. In particular, "Geely Kingkong", the Group's key new product last year, has received very good market response and achieved a tremendous success in the first half of 2007 with a total sales volume of 16,504 units and become the second best selling models of the associates during the period. "Free Cruiser" remained the associates' best selling models during the period, achieving sales volume of 30,606 units, 6% higher than the level achieved the same period last year. Although "Vision", the associates' key new product in 2007, was only officially launched in May 2007, the market response has been encouraging so far with a total of 2,622 units sold in the first half of 2007.

In the first half of 2007, the four operating associates recorded total net profit of HK\$277 million, down 6% from the same period in 2006, on 3% decrease in sales volume to 84,111 units and 52.2% increase in total revenue to HK\$5,006 million. Average revenue per car improved significantly by 47% to HK\$53,745 per car as improved product mix more than offset the 5-6% price reduction during the first half of 2007. Net profit per car, however, decreased by 3% YoY to HK\$3,292 per car during the first half of 2007, as price reduction and increased expenses related to new product launches more than offset the improved product mix and costs cutting achieved during the period. Total unit production costs for comparable models are estimated to have fallen by around 3-5% during the first half of 2007.

Outlook

Although competition in China's sedan market continues to intensify, we expect the growth of China's sedan sales volume to be maintained at around 20% per annum in the coming few years. According to the figures compiled by the China Association of Automobile Manufacturers, total sales volume of sedans in China amounted to 2.3 million units in the first half of 2007, up almost 26% from the previous year. However, sales of smaller sized cars have slowed down significantly since the end of 2006. In particular, sales volume of sedans with engine size of 1.0L or less was down almost 30% YoY during the first half of 2007, reflecting an interesting shift in preference for larger size cars by the Chinese consumers, probably a result of the increasing need for longer distance intra city travel and a strong domestic stock market, which is reported to have prompted potential car buyers to delay their car purchase plans to spare more funds for investment in the local stock market. As a result of the dramatic slow down in the demand for smaller cars, most small car manufacturers have decided to adopt a more aggressive pricing strategy, resulting in several rounds of competitive price cuts since the beginning of 2007, resulting in tremendous price pressures in the economy car segment so far this year. Despite this, the very difficult market condition, which has resulted in dramatic fall in sales volume and major deterioration in profitability amongst most economy car manufacturers in China, has so far only limited impact on the Group's performance, thanks to the Group's well timed transformation to broaden its product range over the past few years.

To cope with the rapid changes in market environment, the Group has reduced the retail prices of its products by 5-6% so far in 2007. In addition, more resources have been allocated to improve the Group's brand images, product mix, customer services and the quality and technology standards of its products, aiming to enhance the Group's pricing power through differentiating the Group's products from the products offered by other Chinese sedan manufacturers. Additional efforts were also spent to promote exports sales in order to compensate for the shortfall in the domestic demand. Major restructuring in various business areas including the research and development department, the auto parts procurement system, and the suppliers' system have been implemented to further reduce cost and improve product quality. A management reshuffle also happened in Shanghai Maple, aiming to revive the profitability of the Maple sedans. Major restructuring of the Group's dealers and distribution network has also started to improve the effectiveness of the Geely sedans' market penetration. With the considerable effort spent since the beginning of 2007, we expect the Group's performance will show improvement over the next few months.

In view of the less than satisfactory performance in the first half of 2007, featured by dramatic fall in the sales volume of the Group's low end sedan models, which have long been the key contributors to the Group's total sales volume, we have decided to revise downwards our full year sales target from 240,000 units to 190,000 units, which still represent a respectful growth of 16% over 2006. In the first half of 2007, the Company's four associates had sold 84,111 units of vehicles, achieving 44% of their revised combined full year sales volume target.

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

The Group's major achievements in the first half of 2007, including the successful launch of Geely's first mid-end sedan model: "Vision", the significant improvement in average unit sales price to HK\$53,745 per car, up 47% from the same period last year, and thus a huge increase in the half year sale revenue of the operating associates to over HK\$5 billion benchmark, paving way for the operating associates to achieve their target of surpassing HK\$10 billion in revenue in 2007, and the substantial effort devoted to restructure the associates' parts procurement system and dealers' network, should have built up a good foundation for the Group's sustained long-term growth in the future.

CAPITAL STRUCTURE AND TREASURY POLICIES

The business activities of the Group are mainly financed by the share capital, dividends received from the Group's two major associates, net proceeds from the top-up placement of 600 million shares issued by the Company in February 2007. As at 30 June 2007, the Group's shareholders' fund amounted to approximately HK\$2,027 million (As at 31 December 2006: approximately HK\$1,030 million). Save for the 600 million shares issued for the top-up placement in February 2007 and 315,876,778 shares issued upon conversion of convertible bonds, no further shares were issued by the Group during the period.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group's current ratio (current assets/current liabilities) was 8.62 (As at 31 December 2006: 1.48) and the gearing ratio of the Group was 22.4% (As at 31 December 2006: 69.5%) which was calculated on the Group's total borrowings to total shareholders' equity. Total borrowings (excluding the embedded derivatives of the Company's convertible bonds and trade and other payables) as at 30 June 2007 amounted to approximately HK\$453 million (As at 31 December 2006: approximately HK\$716 million) were mainly the Company's convertible bonds, bank borrowings and the amount due to immediate holding company. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on maturity. For the bank borrowings, they were secured by notes receivables, interest-bearing and repaid on maturity. Whilst for the amount due to immediate holding company, they were unsecured, interest-free and repayable on demand. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 30 June 2007, the total number of employees of the Group including associates was about 8,409 (As at 31 December 2006: approximately 9,484). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

INTERIM DIVIDEND

At a meeting of the Board held on 7 September 2007, the Directors resolved not to pay an interim dividend to shareholders (2006: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2007.

CORPORATE GOVERNANCE

The Company has met with the code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2007, except for the following deviation:-

Code provision E.1.2

The code provision E.1.2 of the CG Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other commitment in the PRC, Mr. Li Shu Fu ("Mr. Li"), the Chairman of the Board, was unable to attend physically at the annual general meeting of the Company held on 14 May 2007 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the CG Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by Officer (the "Code"). All directors of the Company have confirmed their compliance during the review period with the required standards set out in the Model Code and the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. As at 30 June 2007, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Interim Report 2007 for the six months ended 30 June 2007 will be published on the websites of the Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkex.com.hk) and the Company (www.geelyauto.com.hk) in due course.

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

Hong Kong, 7 September 2007

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