
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, 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 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 INCREASE IN THE REGISTERED CAPITAL OF
EACH OF**

**(1) ZHEJIANG GEELY AUTOMOBILE COMPANY LIMITED
AND**

(2) SHANGHAI MAPLE GUORUN AUTOMOBILE COMPANY LIMITED

Financial adviser to Geely Automobile Holdings Limited

CIMB

CIMB-GK Securities (HK) Limited

Independent financial adviser to the Independent Board Committee



A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from Access Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 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 Thursday, 31 August 2006 at 10:00 a.m. is set out on pages 32 to 34 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.

15 August 2006

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DEFINITIONS

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

“Agreements”	collectively the 1st Zhejiang JV Capital Increase Agreement and the Shanghai Maple JV Capital Increase Agreement
“Access Capital”	Access Capital Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO
“Announcement”	the announcement of the Company dated 25 July 2006
“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 Agreements and the 2nd Zhejiang JV Capital Increase Agreement
“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”	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 Shu Fu and as to 27.3% by Mr. Li Xu Bing, brother of Mr. Li, respectively
“Group”	the Company and its subsidiaries

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising only of independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreements and the 2nd Zhejiang JV Capital Increase Agreement
“Independent Shareholders”	Shareholders other than Mr. Li and his associates
“Latest Practicable Date”	11 August 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 60.26% 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 private company incorporated in the British Virgin Islands and is wholly-owned by the Geely Group.
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“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

DEFINITIONS

“Shanghai Maple JV Capital Increase Agreement”	the capital increase agreement dated 25 July 2006 entered into between Shanghai Maple Automobile and Value Century which sets out the principal terms for the capital increase in Shanghai Maple JV for an amount of approximately US\$48.07 million (equivalent to approximately RMB384.53 million and HK\$373.96 million)
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“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 90.00% 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 the 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 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 Automobile Company Limited (a company incorporated in the PRC and is ultimately owned by Mr. Li and his associates)
“1st Zhejiang JV Capital Increase Agreement”	the capital increase agreement dated 25 July 2006 entered into between Zhejiang Geely Merrie and Centurion which sets out the principal terms for the first phase capital increase in Zhejiang JV for an amount of approximately US\$93.46 million (equivalent to approximately RMB747.70 million and HK\$727.14 million)
“2nd Zhejiang JV Capital Increase Agreement”	the capital increase agreement to be entered into between Zhejiang Geely Merrie and Centurion which sets out the principal terms for the second phase capital increase in Zhejiang JV for an amount of approximately US\$54.74 million (equivalent to approximately RMB437.94 million and HK\$425.90 million)

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United State dollars, the lawful currency of the United States of America
“%”	per cent.

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

US\$1 = RMB8/HK\$7.78

RMB1.03 = HK\$1

No representation is made that any amount in HK\$ could have been or could be converted at the above rates 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.



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

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

15 August 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO INCREASE IN THE REGISTERED CAPITAL OF
EACH OF**

**(1) ZHEJIANG GEELY AUTOMOBILE COMPANY LIMITED
AND**

(2) SHANGHAI MAPLE GUORUN AUTOMOBILE COMPANY LIMITED

INTRODUCTION

Zhejiang JV and Shanghai Maple JV proposed to increase their registered capital by way of pro rata subscription by their respective shareholders. As a result, the Group entered into the Agreements to effect the capital increase on 25 July 2006. The Group also plans to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006.

Shanghai Maple Automobile and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rule by virtue of the fact that both Shanghai Maple Automobile and Zhejiang Geely Merrie are beneficially owned by Mr. Li and his associates. As a result, the entering into of the Shanghai Maple JV Capital Increase Agreement, the 1st Zhejiang JV Capital Increase Agreement and the

LETTER FROM THE BOARD

2nd Zhejiang JV Capital Increase Agreement constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively 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, wholly-owned by Mr. Li, holding 60.25% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement to be put forward at the EGM.

The purpose of this circular is to provide you with further information on, among other things, details of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement, the letter from the Independent Board Committee, the letter from Access Capital to advise the Independent Board Committee and the Independent Shareholders and the notice to convene the EGM.

1ST ZHEJIANG JV CAPITAL INCREASE AGREEMENT

Date : 25 July 2006

Parties : Centurion

Zhejiang Geely Merrie

Increase in registered capital : To increase the registered capital of Zhejiang JV from approximately US\$82.80 million (equivalent to approximately RMB662.42 million or HK\$644.21 million) to approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million) The amount of capital increase was determined with reference to the financial needs of Zhejiang JV for the upgrade and expansion of its production facilities.

The registered capital of Zhejiang JV will remain to be owned as to 46.81% by Centurion and 53.19% by Zhejiang Geely Merrie. The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV in the following manners:

- (i) Centurion will contribute approximately US\$43.75 million (equivalent to approximately RMB350.00 million or HK\$340.38 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Centurion's contribution to the increase in registered capital of Zhejiang JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase; and

LETTER FROM THE BOARD

- (ii) Zhejiang Geely Merrie will contribute approximately US\$49.71 million (equivalent to approximately RMB397.70 million or HK\$386.77 million) in cash. Zhejiang Geely Merrie's contribution to the increase in registered capital of Zhejiang JV will be conditional upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase and will be made within 3 months from such approval.

Proposed entering into the 2nd Zhejiang JV Capital Increase Agreement : It is the intention of Centurion and Zhejiang Geely Merrie to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006. Details of which is disclosed in the section headed "Proposed entering into the 2nd Zhejiang JV Capital Increase Agreement" of this circular.

Following the capital increase, Zhejiang JV will continue to be accounted for as an associated company of the Company.

Effective Date

The 1st Zhejiang JV Capital Increase Agreement will become effective upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase.

SHANGHAI MAPLE JV CAPITAL INCREASE AGREEMENT

Date : 25 July 2006

Parties : Value Century

Shanghai Maple Automobile

Increase in registered capital : To increase the registered capital of Shanghai Maple JV from approximately US\$51.70 million (equivalent to approximately RMB413.57 million or HK\$402.20 million) to approximately US\$99.76 million (equivalent to approximately RMB798.11 million or HK\$776.16 million). The amount of capital increase was determined with reference to the financial needs of Shanghai Maple JV for the research and development of new products, upgrade and expansion of its production facilities.

The registered capital of Shanghai Maple JV will remain to be owned as to 46.81% by Value Century and 53.19% by Shanghai Maple Automobile. The increase in the registered capital will be contributed by Value Century and Shanghai Maple Automobile in accordance with their respective interests in the registered capital of Shanghai Maple JV in the following manners:

LETTER FROM THE BOARD

- (i) Value Century will contribute approximately US\$22.50 million (equivalent to approximately RMB180.00 million or HK\$175.05 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Value Century's contribution to the increase in registered capital of Shanghai Maple JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase; and
- (ii) Shanghai Maple Automobile will contribute approximately US\$25.57 million (equivalent to approximately RMB204.53 million or HK\$198.91 million) in cash. Shanghai Maple Automobile's contribution to the increase in registered capital of Shanghai Maple JV will be conditional upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase and will be made within 3 months of such approval.

Following the capital increase, Shanghai Maple JV will continue to be accounted for as an associated company of the Company.

Effective Date

The Shanghai Maple JV Capital Increase Agreement will become effective upon approval by the Shanghai Foreign Economic Relation & Trade Commission (上海市對外經濟貿易委員會) on the proposed capital increase.

PROPOSED ENTERING INTO THE 2ND ZHEJIANG JV CAPITAL INCREASE AGREEMENT

Date : To be entered into on or before 31 August 2006

Parties : Centurion

Zhejiang Geely Merrie

Increase in registered capital : To increase the registered capital of Zhejiang JV from approximately US\$176.27 million, after the capital increase pursuant to the 1st Zhejiang JV Capital Increase Agreement (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million), to approximately US\$231.01 million (equivalent to approximately RMB1,848.07 million or HK\$1,797.24 million). The amount of capital increase was determined with reference to the financial needs of Zhejiang JV for the research and development of new products and purchase of new machines.

LETTER FROM THE BOARD

The registered capital of Zhejiang JV will remain to be owned as to 46.81% by Centurion and 53.19% by Zhejiang Geely Merrie. The increase in the registered capital will be contributed by Centurion and Zhejiang Geely Merrie in accordance with their respective interests in the registered capital of Zhejiang JV in the following manners:

- (i) Centurion will contribute approximately US\$25.63 million (equivalent to approximately RMB205.00 million or HK\$199.36 million) in cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. Centurion's contribution to the increase in registered capital of Zhejiang JV will be conditional upon the Independent Shareholders approving the transaction in the EGM to be convened to approve the transaction and will be made within 3 months upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase; and
- (ii) Zhejiang Geely Merrie will contribute approximately US\$29.12 million (equivalent to approximately RMB232.94 million or HK\$226.53 million) in cash. Zhejiang Geely Merrie's contribution to the increase in registered capital of Zhejiang JV will be conditional upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase and will be made within 3 months of such approval.

Following the second capital increase, Zhejiang JV will continue to be accounted for as an associated company of the Company.

Effective Date

The 2nd Zhejiang JV Capital Increase Agreement will become effective upon approval by the Ningbo Foreign Trade and Economic Cooperation Bureau (寧波市對外貿易經濟合作局) on the proposed capital increase. Further announcement will be made when the Company enters into the 2nd Zhejiang JV Capital Increase Agreement or there are material changes to the terms of the 2nd Zhejiang JV Capital Increase Agreement as disclosed herein.

It is proposed that the 2nd Zhejiang JV Capital Increase Agreement will be entered into at a later stage after entering into the 1st Zhejiang JV Capital Increase Agreement, as Zhejiang Geely Merrie needs additional time to secure the funding required to be contributed to the 2nd Zhejiang JV Capital Increase Agreement. It is expected that the final principal terms of the 2nd Zhejiang JV Capital Increase Agreement, including the amounts to be contributed by Centurion and Zhejiang Geely Merrie and the intended use of capital raised, will be the same as disclosed in this circular. Further announcement will be made when the Company enters into the 2nd Zhejiang JV Capital Increase Agreement.

LETTER FROM THE BOARD

USE OF CAPITAL RAISED

Zhejiang JV and Shanghai Maple JV intended to use the amount of capital raised for the following purposes:

Zhejiang JV

- (i) approximately RMB68 million will be used for research and development of new models for economy sedan;
- (ii) approximately RMB591 million will be used for expansion of infrastructure and production lines, of which approximately RMB401 million, RMB95 million and RMB95 million is planned to be used for the expansion of production facilities in Ningbo, Linhai and Luqiao respectively; and
- (iii) approximately RMB527 million will be used for purchase of machinery, of which approximately RMB137 million will be used for purchase of stamping and painting machines and approximately RMB390 million will be used for purchase of welding robots and new machines for molding and testing purposes.

Shanghai Maple JV

- (i) approximately RMB185 million will be used for expansion of production facilities, including second phase of the Shanghai production plant and new machines; and
- (ii) approximately RMB200 million will be allocated for new product models development in the following manner:
 - approximately RMB86 million will be allocated for molding equipments;
 - approximately RMB35 million will be allocated for testing equipments; and
 - approximately RMB79 million will be allocated for design and research and development expenses.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles in the PRC. The Directors believe that the strong growth in the demand for fuel-efficient and easy-to maintain economy sedans in the PRC should be sustainable in the coming decade. The Group, Zhejiang JV and Shanghai Maple JV are actively seeking ways to expand their operations. Zhejiang JV and Shanghai Maple JV intend to continue the expansion and upgrading of their production plants to further improve quality and reduce costs. Accordingly, the increases in the registered capital of Zhejiang JV and Shanghai Maple JV are required to meet their expansion plans. Given the Directors' confidence in the PRC automobile industry, the Directors (including the independent non-executive Directors) are of

LETTER FROM THE BOARD

the view that the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement as well as the consideration are fair and reasonable so far as the Company and the Shareholders are concerned and the amounts of capital increase in Shanghai Maple JV and Zhejiang JV are in the interest of the Company and its Shareholders as a whole.

Pursuant to the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement, the respective capital contributions from the Company will be paid in accordance with the Group's respective interest in the registered capital of Zhejiang JV and Shanghai Maple JV by cash, which will be financed by internal resources of the Group mainly from the proceeds of the convertible bonds issued by the Company on 10 April 2006. As the increases in the registered capital of Zhejiang JV and Shanghai Maple JV pursuant to the Agreements and the 2nd Zhejiang JV Capital Increase Agreement only represent a reallocation of the Group's cash to Zhejiang JV and Shanghai Maple JV, which will be accounted for as interests in associates in the Group's consolidated accounts, there will be no material impact to the financial position of the Group following completion of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement.

INFORMATION ON ZHEJIANG JV

The Group, through a wholly-owned subsidiary, currently owns 46.81% of Zhejiang JV as an associate. Zhejiang JV has production facilities in Ningbo, Linhai and Luqiao. The three production plants are fully-integrated plants, comprising stamping, welding, painting and assembly facilities and supporting production and testing lines for engines and gearboxes.

The table below sets out the audited results of Zhejiang JV, as adjusted by the Hong Kong generally acceptable accounting principles ("HK GAAP") adjustments for the two years ended 31 December 2005.

	Year ended	
	31 December	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profits before taxation	197,826	253,719
Profits after taxation	183,602	196,735

The net asset value of Zhejiang JV amounted to approximately HK\$1,158 million as at 31 December 2005.

INFORMATION ON SHANGHAI MAPLE JV

The Group, through a wholly-owned subsidiary, currently owns 46.81% of Shanghai Maple JV as an associate. Shanghai Maple JV has a production facility in Shanghai. The Shanghai production plant is a fully-integrated plant, comprising stamping, welding, painting and assembly facilities and supporting production and testing lines for engines and gearboxes.

LETTER FROM THE BOARD

The table below sets out the audited results of Shanghai Maple JV as adjusted by the HK GAAP adjustments for the two years ended 31 December 2005.

	Year ended	
	31 December	
	2004	2005
	HK\$'000	HK\$'000
Profits before taxation	16,204	68,933
Profits after taxation	16,122	64,815

The net asset value of Shanghai Maple JV amounted to approximately HK\$524 million as at 31 December 2005.

REQUIREMENTS OF THE LISTING RULES

Shanghai Maple Automobile and Zhejiang Geely Merrie are connected persons of the Company for the purpose of the Listing Rule by virtue of the fact that both Shanghai Maple Automobile and Zhejiang Geely Merrie are beneficially owned by Mr. Li and his associates. As a result, the entering into of the Shanghai Maple JV Capital Increase Agreement, the 1st Zhejiang JV Capital Increase Agreement and the 2nd Zhejiang JV Capital Increase Agreement constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules respectively 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 Agreements and the 2nd Zhejiang JV Capital Increase Agreement. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The Company will convene the EGM at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 31 August 2006, at 10:00 a.m. at which ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving the Agreements and the 2nd Zhejiang JV Capital Increase Agreement in relation to the increase in registered capital of Zhejiang JV and Shanghai Maple JV set out on pages 32 to 34 of this circular. Proper Glory and Geely Group, wholly-owned by Mr. Li, holding 60.25% and 0.002% respectively in the issued share capital of the Company will abstain from voting for the resolutions to approve the Agreements and the 2nd Zhejiang JV Capital Increase Agreement to be put forward at the EGM. The voting on the resolutions in respect of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement will be conducted by way of poll in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

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 311-312 Two Exchange Square, Central, 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.

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 Agreements and the 2nd Zhejiang JV Capital Increase Agreement and all transactions in connection therewith, set out on page 14 of this circular. Your attention is also drawn to the letter of advice from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 24 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix 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)

15 August 2006

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO INCREASE IN THE REGISTERED CAPITAL OF
EACH OF**

**(1) ZHEJIANG GEELY AUTOMOBILE COMPANY LIMITED
AND**

(2) SHANGHAI MAPLE GUORUN AUTOMOBILE COMPANY LIMITED

We refer to the circular of the Company dated 15 August 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 Agreements and the 2nd Zhejiang JV Capital Increase Agreement, details of which are set out in the letter from the Board in the Circular.

Having taken into account of the advice of Access Capital, the independent financial adviser, we consider that the Agreements and the 2nd Zhejiang JV Capital Increase Agreement are in the interests of the Company and the Shareholders as a whole and the terms of the Agreements and the 2nd Zhejiang JV Capital Increase Agreement 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 Agreements and the 2nd Zhejiang JV Capital Increase Agreement.

Yours faithfully,

Mr. Lee Cheuk Yin, Dannis

Mr. Song Lin

Mr. Yeung Sau Hung, Alex

Independent Board Committee

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

15 August 2006

To: *The Independent Board Committee and the Independent Shareholders of
Geely Automobile Holdings Limited (the "Company")*

Dear Sirs,

DISCLOSABLE AND CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the proposed increases in the registered share capital of two of the Company's Sino-foreign joint venture operations, namely the Shanghai Maple JV and the Zhejiang JV (together the "JV Companies") by means of pro rata subscriptions by their respective shareholders (the "Proposal").

Details of the JV Companies, as well as the relevant subscription agreements which comprise the Proposal, namely the (i) Shanghai Maple JV Capital Increase Agreement, (ii) the 1st Zhejiang JV Capital Increase Agreement, and (iii) the 2nd Zhejiang JV Capital Increase Agreement (together the "Agreements") are set out in the "Letter from the Board" of the circular to the Shareholders dated 15 August, 2006 (the "Circular"), of which this letter forms part. The terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise specifies.

As at the date of this letter, the 2nd Zhejiang JV Capital Increase Agreement has yet to be entered into between Centurion and Zhejiang Geely Merrie. Nevertheless, the requisite ordinary resolution(s) to be put forth at the EGM vis-a-vis the Proposal shall include resolutions to approve (i) the Shanghai Maple JV Capital Increase Agreement and (ii) the 1st Zhejiang JV Capital Increase Agreement; as well as a resolution to approve the proposed entering into of (iii) the 2nd Zhejiang JV Capital Increase Agreement.

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By virtue of the fact that both Shanghai Maple Automobile and Zhejiang Geely Merrie (the respective controlling shareholders Shanghai Maple JV and Zhejiang JV) are beneficially owned by Mr. Li (the controlling shareholder of the Company) and his associates, Shanghai Maple Automobile and Zhejiang Geely Merrie are considered to be connected persons of the Company, as defined by the Listing Rules. As such, the Agreements constitute discloseable and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules and they are therefore subject to approval by the Independent Shareholders at the EGM.

Furthermore, as Proper Glory and Geely Group respectively hold 60.25% and 0.002% of the issued share capital of the Company and are both companies that are wholly-owned by Mr. Li, Proper Glory and Geely Group shall abstain from voting on the requisite resolution(s) to approve the Agreements at the EGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of eight executive Directors, namely Mr. Li, Mr. Gui Sheng Yue, Mr. Xu Gang, Mr. Yang Jian, Mr. Ang Siu Lun, Lawrence, Mr. Yin Da Qing, Richard, Mr. Liu Jin Liang, and Mr. Zhao Jie; and three independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, and Mr. Yeung Sau Hung, Alex.

The Independent Board Committee comprising the independent non-executive Directors, Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, and Mr. Yeung Sau Hung, Alex has been established to consider the terms of the Agreements.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to them for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. BASES OF AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information about the Group, the JV Companies and the outlook of the automobile industry in the PRC

1.1 Information about the Group

The Group is principally engaged in the manufacture and trading of automobile parts and related automobiles in the PRC.

1.2 Information of the JV Companies

The Group currently owns 46.81% of Shanghai Maple JV and 46.81% of Zhejiang JV, through separate wholly-owned subsidiaries. Both Zhejiang JV and Shanghai Maple JV are associate companies of the Group, which hold virtually all of the Group's sedan manufacturing and domestic and international sales operations.

As stated in the Group's 2005 annual report, Zhejiang JV and Shanghai Maple JV together recorded a total net profit of HK\$262 million for the year ended 31 December 2005 (which represents a year-on-year increase of around 30%).

Through Zhejiang JV, the Group has three production plants situated in Ningbo, Linhai and Luqiao. The said production plants are fully-integrated, and comprise stamping, welding, painting, and assembly facilities. They also house supporting production and testing lines for engines and gearboxes. For the year ended 31 December 2005, Zhejiang JV recorded a net profit after tax of around HK\$196.7 million; and as at 31 December 2005, Zhejiang JV had a net asset value of approximately HK\$1,158 million.

Through Shanghai Maple JV, the Group has one production plant in Shanghai, which is fully-integrated, and is comprised of stamping, welding, painting, and assembly facilities. The Shanghai plant is also equipped with supporting production and testing lines for engines and gearboxes. For the year ended 31 December 2005, Shanghai Maple JV recorded a net profit of around HK\$64.8 million; and as at 31 December 2005, Shanghai Maple JV had a net asset value of approximately HK\$524 million.

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As at 31 December 2005, the four production plants mentioned above together attained an annual production capacity of around 250,000 sedans (out of which 200,000 were produced by Zhejiang JV and 50,000 were produced by Shanghai Maple JV); 300,000 engines (out of which 200,000 were produced by Zhejiang JV and 100,000 were produced by Shanghai Maple JV); and 200,000 gearboxes (all of which were produced by Zhejiang JV).

During the financial year ended 31 December 2005, the total capital expenditure incurred by the Zhejiang JV and Shanghai Maple JV amounted to around RMB600 million, which was mainly used for (i) the strategic expansion and upgrade of the Linhai plant (approximately RMB56.6 million), the Ningbo plant (approximately RMB7.8 million), and the Shanghai plant (RMB47.4 million); (ii) the construction of a new plant in Luqiao (approximately RMB30.3 million); and (iii) the development of new automotive related products (approximately RMB457.9 million). According to the Company, the local market share of the Group's "Geely" and "Maple" branded sedans grew from 4.2% in 2004 to 4.8% in 2005; and the Group ranked 10th among the nation's automobile manufacturers in terms of sales volume.

1.3 Future plans of the Company and the JV Companies and prospects of the auto industry in the PRC

As set out in the Group's 2005 annual report, the Group's management believes that there will be a strong and sustained demand for fuel-efficient and easy-to-maintain economy sedans in the PRC in the coming ten years, due mainly to the PRC's consistent economic growth, low car ownership ratio (less than 1% of the nation's population), as well as rising household incomes. This is evidenced by the fact that, according to the China Association of Automobile Manufacturers, total sales volumes of passenger cars in the PRC rose 25% to 2.9 million units in 2005 and by 27% to 3.53 million units in the first half of 2006. The growth rate for the PRC's automobile market is expected to grow at around 20% going forward, and according to the PRC's Ministry of Commerce, in terms of auto sales volume, the PRC jumped from 7th place in the world in 2001 to 3rd place in 2005, just behind to Japan.

According to the Directors, although the PRC automobile market is characterised by fierce competition, the automobile market focus in the PRC has shifted from corporations to individuals, and the demand for lower-end economy sedans may grow faster than demand for the other traditional vehicle models.

In view of the aforesaid reason, and given that the Group has all along focused on producing more affordable and easy-to-maintain vehicles, a segment of the PRC automobile market that is growing and in which the Directors believe the Group can compete effectively going forward, the Group and its two associates, namely the JV Companies, plan to (i) continue to focus on improving their operations, (ii) expand their automobile production to meet growing domestic demand, and (iii) actively seek ways to increase revenues, reduce costs, and thus enhance shareholder returns.

According to the Group's 2005 annual report, the Group aims to further expand its combined annual production capacity to over 300,000 sedans by the end of 2006 and to 1 million sedans by the end of 2010. In this regard, not only will the Group continue to expand and upgrade its production plants so as to further improve quality and reduce costs, but plans also to build new production facilities in less developed provinces in the PRC in order to benefit from lower costs, untapped financial and other resources, as well as gain access to new local market demand. As part of its growth strategy, the Group will also acquire a number of satellite plants concurrently being constructed by Geely Holdings Group in Lan Zhou in Gansu province and in Xiangtan of Hunan province.

The total budgeted capital expenditure for Zhejiang JV and Shanghai Maple JV for the 2006 financial year amount to approximately RMB770 million, which includes (i) the construction of phase two of the Shanghai Maple JV plant (approximately RMB350.0 million); (ii) the continued expansion of and upgrade to the Ningbo plant (approximately RMB31.0 million), the Linhai plant (approximately RMB78.0 million) and the Luqiao plant (approximately RMB75.0 million); and (iii) the procurement of machinery and moulds (approximately RMB236.0 million), i.e. in preparation for the launch of the new "Geely King Kong" and "Geely Tiger" automobiles. The said capital expenditure will allow the Group to grow so as to be in a position to continue to meet growing market demand and thus remain a competitive automobile manufacturer in the PRC.

2. The Proposal

2.1 *Summary of the Proposal*

As set out in the "Letter from the Board", on 25 July 2006, the Company announced that it had entered into (i) the Shanghai Maple JV Capital Increase Agreement as well as (ii) the 1st Zhejiang JV Capital Increase Agreement, with the view of increasing the respective registered share capital of two of its joint venture operations, namely the Shanghai Maple JV and the Zhejiang JV.

At the same time, the Company also announced its plans to enter into a third agreement, namely the 2nd Zhejiang JV Capital Increase Agreement, on or before 31 August 2006. Under the 2nd Zhejiang JV Capital Increase Agreement, the registered share capital of Zhejiang JV would be increased further.

2.2 *Reasons for and benefits of the Proposal*

As set out in the "Letter from the Board", the Directors believe that during the next ten years, there will be a sustained growth in demand for fuel efficient and easy-to maintain economy sedans in the PRC. As such, the Group (including Zhejiang JV and Shanghai Maple JV) is actively seeking to expand operations so as to effectively meet these current and future market demands.

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As such, the capital increases under the Agreements, will effectively give the Group and the JV Companies the necessary funds to expand, improve and upgrade its manufacturing capabilities in order to accommodate the Group's growth program as planned; improve production efficiency and reduce costs; launch the Group's scheduled new sedan models; and increase production volume in order to meet the anticipated demands of the PRC's growing market for automobiles in general, and for fuel-efficient and easy-to-maintain economy sedans in particular.

Taking into account (i) both the Group's future plans (vis-a-vis increasing production of fuel-efficient economy sedans as mentioned in section 1.3 above); (ii) the outlook of the automobile industry in the PRC generally and the increasing domestic demand for fuel-efficient economy sedans in particular; and (iii) that the main purpose of the Proposal is precisely to allow the JV Companies to fund their specific upgrade and expansion requirements in order to meet the Group's growth targets; we are of the view that the implementation of the Proposal is in the interests of the Company and the Shareholders as a whole.

3. Summary of the terms of the Agreements

3.1 Shanghai Maple JV Capital Increase Agreement

Under the Shanghai Maple JV Capital Increase Agreement, Shanghai Maple JV's joint venture partners and shareholders, Value Century (a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability) and Shanghai Maple Automobile (a PRC incorporated company ultimately owned by Mr. Li and his associates) will subscribe for shares in accordance with their respective interests in the registered share capital of Shanghai Maple JV. As a result, Shanghai Maple JV's registered share capital will be increased by approximately US\$48.07 (or approximately HK\$373.98 million) from approximately US\$51.70 million (or approximately HK\$402.20 million) to approximately US\$99.76 million (or approximately HK\$776.16 million).

Following the said subscription, Value Century's and Shanghai Maple Automobile's respective shareholdings in Shanghai Maple JV, namely 53.19% and 46.81% respectively, will remain unchanged.

The Shanghai Maple JV Capital Increase Agreement is conditional upon, inter alia, (i) approval from the Shanghai Foreign Economic Relation & Trade Commission for the above proposed capital increase, as well as (ii) approval from the Independent Shareholders at the EGM.

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3.2 1st Zhejiang JV Capital Increase Agreement

Under the 1st Zhejiang JV Capital Increase Agreement, Zhejiang JV's joint venture partners and shareholders, Centurion (a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability) and Zhejiang Geely Merrie (a PRC incorporated company ultimately owned by Mr. Li and his associates) will subscribe for shares in accordance with their respective interests in the registered share capital of Zhejiang JV. As a result, Zhejiang JV's registered share capital will be increased by approximately US\$93.46 million (or approximately HK\$727.12 million) from approximately US\$82.80 million (or approximately HK\$644.21 million) to approximately US\$176.27 million (or approximately HK\$1,371.35 million).

Following the said subscription, Centurion's and Zhejiang Geely Merrie's respective shareholdings in Zhejiang JV, namely 46.81% and 53.19% respectively, will also remain unchanged.

The 1st Zhejiang JV Capital Increase Agreement is conditional upon, inter alia, (i) approval from the Ningbo Foreign Trade and Economic Cooperation Bureau for the above proposed capital increase, as well as (ii) approval from the Independent Shareholders at the EGM.

3.3 2nd Zhejiang JV Capital Increase Agreement

Under the Proposal, the Company also intends to enter into the 2nd Zhejiang JV Capital Increase Agreement on or before 31 August 2006, in order to further increase the registered capital of Zhejiang JV from approximately US\$176.27 million (or approximately HK\$1,371.35 million) to US\$231.01 million (or approximately HK\$1,797.24 million).

The increase in registered share capital under the 2nd Zhejiang JV Capital Increase Agreement, will be contributed by the same parties as under the 1st Zhejiang JV Capital Increase Agreement in accordance with their respective shareholdings in Zhejiang JV. As such, the interests of Zhejiang Geely Merrie and Centurion in Zhejiang JV will again remain unchanged at 53.19% and 46.81% respectively. Following the second capital increase under the said agreement, Zhejiang JV will continue to be accounted for as an associate of the Company.

As is the case with the 1st Zhejiang JV Capital Increase Agreement, the 2nd Zhejiang JV Capital Increase Agreement will be conditional upon, inter alia, (i) approval from the Ningbo Foreign Trade and Economic Cooperation Bureau on the proposed capital increase, as well as (ii) approval from the Independent Shareholders at the EGM.

According to the Directors, the capital increase exercise for Zhejiang JV was divided into two stages (i.e. under two separate agreements, namely the 1st Zhejiang JV Capital Increase Agreement and the 2nd Zhejiang JV Capital Increase Agreement) because Zhejiang Geely Merrie will require additional time in order to secure the requisite funds for the proposed second portion of the capital increase.

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As at the date of this letter, the 2nd Zhejiang JV Capital Increase Agreement has yet to be entered into between Centurion and Zhejiang Geely Merrie. In the event that the 2nd Zhejiang JV Capital Increase Agreement was not entered into prior to the EGM, Zhejiang JV will seek a bank loan to finance its intended expansion plans.

The respective capital contributions contemplated under the Agreements shall be payable within three months following the requisite approval from the abovementioned relevant PRC authority.

As stated in the “Letter from the Board”, the respective amounts with regard to the capital increases for Zhejiang JV and Shanghai Maple JV were arrived at with reference to their respective financial needs and growth strategy, and also with respect to the Group capital expenditure plans for 2006 and beyond as mentioned above. We have also sought confirmation from the Company’s legal adviser with regard to PRC law and have noted that it is a normal/standard requirement for capital contributions to be payable within three months following the requisite approval from the relevant PRC authority. Accordingly, we are of the view that the terms of the Agreements (i.e. the capital contributions which are on a pro-rata basis and the timing of the payment of such capital contributions is stipulated by the relevant PRC law) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Summary of the capital contribution requirements of the JV Companies and the funding arrangements

4.1 Summary of the capital contribution requirements of the JV Companies

The table below sets out the amount of capital to be contributed by the Company and its JV partner under the respective Agreements.

	Zhejiang JV		Shanghai Maple JV	
	The Company <i>(via Centurion)</i>	JV partner	The Company <i>(via Value Century)</i>	JV partner
1st Zhejiang JV Capital Increase Agreement	US\$43.75m (RMB350.00m/ HK\$340.38m)	US\$49.71m (RMB397.70m/ HK\$386.77m)		
Shanghai Maple JV Capital Increase Agreement			US\$22.50 (RMB180.00m/ HK\$175.05m)	US\$25.57m (RMB204.53m/ HK\$198.91m)
2nd Zhejiang JV Capital Increase Agreement	US\$25.63m (RMB205.00m/ HK\$199.36m)	US\$29.12m (RMB232.94m/ HK\$226.53m)		
Total	US\$69.38m (RMB555m/ HK\$539.74m)	US\$78.83m (RMB630.64m/ HK\$613.30m)	US\$22.50 (RMB180.00m/ HK\$175.05m)	US\$25.57m (RMB204.53m/ HK\$198.91m)

4.2 Summary of the use of capital raised by the JV Companies

Details of the funding requirements of the JV Companies are set out in the section headed “Use of capital raised” in the “Letter from the Board”. In sum, the Zhejiang JV needs an aggregate of approximately RMB1,185.5 million to fund its research and development and expansion plan; and the Shanghai Maple JV requires some RMB384.5 million for similar purpose.

4.3 Funding arrangement of the Company for the capital contribution of the JV Companies

The Company’s respective contributions described in paragraph 4.2 above will be financed by internal resources of the Group mainly from the net proceeds of approximately HK\$726.6 million nominal amount of zero coupon convertible bonds issued by the Company on 10 April 2006 maturing 10 April 2011. Details of the said convertible bonds are set out in the Company’s announcements dated 9 March 2006 and 7 April 2006.

As stated in the Company’s announcements dated 9 March 2006, the net proceeds of the said convertible bonds (approximately HK\$726.6 million net of all fees, associated costs, and commissions) were intended to be used by the Company for purposes of increasing its investments in the JV Companies. Under the Proposal, these funds will be deployed as intended.

5. Possible financial effects of the Proposal

The capital increases as contemplated under the Proposal will help fund the expansion plans of the JV Companies, and thus help the Group meet the market demand for its automotive products.

The total amount to be contributed by the Group to the JV Companies’ registered capital accounts under the Proposal is approximately US\$91.88 million (or approximately RMB735 million), which is in proportion to the Group’s respective shareholdings in the JV Companies. As the capital increases are based on the existing shareholdings of the JV Companies, there will be no change to the shareholding structure or the accounting treatment of the JV Companies.

Pursuant to the terms of the Agreements, the respective capital contributions from the Company will be paid in cash and funded by the Group’s internal resources, mainly from the net proceeds of the convertible bonds issued by the Company on 10 April 2006. There will be no change to the Group’s overall cash position as a result of the Proposal, as the increases in registered capital under the Agreements will simply be a reallocation of the Group’s cash from the Company to the JV Companies. Accordingly, there will be no negative impact to the financial position of the Group following completion of the Agreements.

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V. RECOMMENDATION

In considering the terms of the Proposal, we have taken into account the following factors:

- the existing situation and outlook of the business of the Company, the JV Companies and the automobile industry in the PRC;
- the background to and reasons for the Proposal;
- the terms of the Agreements;
- the capital contribution requirements of the JV Companies and the intended use of capital;
- the fact that the Proposal is in line with the previously announced use of proceeds for the convertible bonds issued by the Company on 10 April 2006; and
- the fact that there will be no effect on the Company's shareholding position in the JV Companies and/or the financial position following the completion of the Agreement,

we are of the view that terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and that the Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the ordinary resolution(s) in relation to the Agreements, which will be proposed at the EGM.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing 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:

(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	–	60.26%
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%

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Gui Sheng Yue	Personal	23,000,000 (Note 3)	–	0.55%
Mr. Xu Gang	Personal	23,000,000 (Note 3)	–	0.55%
Mr. Yang Jian	Personal	23,000,000 (Note 3)	–	0.55%
Mr. Liu Jin Liang	Personal	18,000,000 (Note 3)	–	0.43%
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 (<i>Note 1</i>)	Beneficial owner	2,500,000,000	–	60.25%
Geely Group (<i>Note 1</i>)	Beneficial owner	87,000	–	0.002%
	Corporate	2,500,000,000	–	60.25%
Deutsche Bank Aktiengesellschaft	Corporate	297,266,649	12,500,000	6.86%

Note:

- 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.

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

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 manufacturing and distribution of Geely sedans in four locations, namely Lanzhou, Xiangtan, Ningbo and Jinan. The potential production and distribution of Geely sedans in these four locations by Geely Holding will constitute competing businesses (the “Competing Businesses”) to those currently engaged by the Company’s two associates. Mr. Li has provided an option to the Company (the “Option”) that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to sell to the Group all of the Competing Businesses and related assets, 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
Access Capital	a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO

Access Capital 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, Access Capital 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, Access Capital 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, 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 311-312 Two Exchange Square, Central, 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 15 August 2006 to 31 August 2006 (both days inclusive):

- (a) the 1st Zhejiang JV Capital Increase Agreement;
- (b) the Shanghai Maple JV Capital Increase Agreement;
- (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 Access Capital, the text of which is set out in this circular; and
- (e) the consent letter of Access Capital 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 Thursday, 31 August 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the conditional agreement (the “**1st Zhejiang JV Capital Increase Agreement**”) dated 25 July 2006 entered into between Centurion Industries Limited (“**Centurion**”), a wholly-owned subsidiary of the Company, and 浙江吉利美日汽車有限公司 (Zhejiang Geely Merrie Automobile Company Limited) (“**Zhejiang Geely Merrie**”), 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 the Group has conditionally agreed to increase the registered capital of 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited) (the “**Zhejiang JV**”), a company which is beneficially owned as to 46.81% by the Group, on a proportional basis from approximately US\$82.80 million (equivalent to approximately RMB662.42 million or HK\$644.21 million) to approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) 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 1st Zhejiang JV Capital Increase Agreement and completion thereof.”

(2) “**THAT:**

- (a) the conditional agreement (the “**Shanghai Maple JV Capital Increase Agreement**”) dated 25 July 2006 entered into between Value Century Group Limited, a wholly-owned subsidiary of the Company, and 上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited), a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, pursuant

NOTICE OF EGM

to which the Group has conditionally agreed to increase the registered capital of 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited), a company which is beneficially owned as to 46.81% by the Group, on a proportional basis from approximately US\$51.70 million (equivalent to approximately RMB413.57 million or HK\$402.20 million) to approximately US\$99.76 million (equivalent to approximately RMB798.11 million or HK\$776.16 million) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

- (b) 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 Shanghai Maple JV Capital Increase Agreement and completion thereof.”

(3) **“THAT:**

- (a) the proposed entering into the conditional agreement (the **“2nd Zhejiang JV Capital Increase Agreement”**) by Centurion and Zhejiang Geely Merrie, a copy of which is tabled at the meeting and marked **“C”** and initialled by the chairman of the meeting for identification purpose, pursuant to which the Group will increase on a proportional basis the registered capital of the Zhejiang JV, after completion of the capital increase in accordance with the 1st Zhejiang JV Capital Increase Agreement, from approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million) to approximately US\$231.01 million (equivalent to approximately RMB1,848.07 million or HK\$1,797.24 million) and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (b) 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 2nd Zhejiang JV Capital Increase Agreement and completion thereof.”

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

Hong Kong, 15 August 2006

NOTICE OF 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 the circular of the Company dated 15 August 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 311-312 Two Exchange Square, Central, 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.