吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited libaility)
website: http://www.geelyauto.com.hk
(Stock code: 175)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE YEAR ENDED 30 JUNE 2005

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 2005. These interim results have been reviewed by the Company's Audit Committee, comprising a majority of independent non-executive directors, one of whom chairs the Committee, and the Company's auditors, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Six months ended 30 June	
		2005	2004
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited and restated)
Turnover		**35,881**	23,883
Cost of sales		**(34,094)**	(22,159)
Gross profit		**1,787**	1,724
Other income		**201**	410
Distribution and selling expenses		**(167)**	(369)
Administrative expenses		**(7,953)**	(9,400)
		(6,132)	(7,635)
Finance costs		**–**	(53)
Share of profits of associates		**47,446**	57,400
Gain on disposal of subsidiaries		**–**	3,189
Profit for the period	*5*	**41,314**	52,901
Attributable to:			
Equity holders of the parent		**40,779**	53,158
Minority interests		**535**	(257)
		41,314	52,901
Dividend	*7*	**41,203**	–
Earnings per share	*8*		
Basic		**HK0.99 cents**	HK1.29 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005

	NOTES	30 June 2005 HK$'000 (Unaudited)	31 December 2004 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment		**6,320**	5,831
Interests in associates	*9*	**650,515**	651,750
		656,835	657,581
Current assets			
Inventories		**6,038**	8,815
Trade and other receivables	*10*	**23,822**	11,921
Amount due from an associate		**–**	338
Amounts due from related companies		**–**	613
Amount due from ultimate holding company		**75**	–
Bank balances and cash		**42,363**	1,499
		72,298	23,186
Current liabilities			
Trade and other payables	*11*	**22,505**	14,375
Amounts due to related companies		**61**	452
Amount due to a minority shareholder		**4,775**	5,027
Amount due to immediate holding company		**2,220**	3,000
Dividend payable		**41,203**	–
		70,764	22,854
Net current assets		**1,534**	332
		658,369	657,913
Capital and reserves			
Share capital		**82,405**	82,405
Reserves		**570,963**	571,042
Equity attributable to equity holders of the parent		**653,368**	653,447
Minority interests		**5,001**	4,466
Total equity		**658,369**	657,913

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRS(s)") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are presented:

Share-based payment

HKFRS 2 "Share-based Payment" requires an expense to be recognised where an entity buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Group determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In accordance with the relevant transitional provisions, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 (but prior to 1 January 2005) and had vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and which were not yet vested on 1 January 2005. The effect of adoption of this new standard is set out in note 3.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are as follows:

(i) On results

	Six months ended 30 June 2005	2004
	HK$'000	*HK$'000*
Adjustments in associates' consolidated financial statements		
– Goodwill no longer amortised	**2,506**	–
– Discount on goodwill recognised directly in income statement	**217**	–
Increase in share of profits of associates	**2,723**	–
Recognition of share-based payments	**(523)**	(1,273)
Increase in profit for the period	**2,200**	(1,273)

(ii) On income statement line items

	Six months ended 30 June 2005	2004
	HK$'000	*HK$'000*
Increase in administrative expenses	**(523)**	(1,273)
Increase (decrease) in share of profits of associates	**2,723**	(524)
Decrease in taxation	**–**	524
	2,200	(1,273)

(iii) On balance sheet items

	As at 31.12.2004 (originally stated)	Retrospective adjustments HKAS 27	HKFRS 2	As at 31.12.2004 and 1.1.2005 (restated)
	HK$'000	*HK$'000 (Note 2)*	*HK$'000 (Note 2)*	*HK$'000*
Accumulated profits	35,899	–	(3,089)	32,810
Share options reserve	–	–	3,089	3,089
Equity holders of the parent	35,899	–	–	35,899
Minority interests	–	(4,466)	–	(4,466)
Total effects on equity	35,899	(4,466)	–	31,433
Minority interests	(4,466)	4,466	–	–
	31,433	–	–	31,433

The application of the new HKFRSs had no effect to the Group's equity at 1 January 2004.

4. SEGMENT INFORMATION

Business Segments

The Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components. Accordingly, no business segment analysis of financial information is provided.

Geographical segments

The Group's activities and operations are based in the People's Republic of China (the "PRC"), including Hong Kong. Accordingly, a geographical analysis is not presented.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**4,859**	3,293
Retirement benefits scheme contributions	**151**	101
Total staff costs	**5,010**	3,394
Depreciation	**377**	256
Recognition of share based payments (included in administrative expenses)	**523**	1,273
Share of tax of associates (included in share of profits of associates)	**–**	524
Interest income from bank deposits	**(17)**	(2)

6. TAXATION

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 subsidiary and associates are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

7. DIVIDEND

A final dividend of HK$0.01 per share for the year ended 31 December 2004 was declared and approved by the Company's shareholders in the Annual General Meeting held on 25 May 2005. The final dividend, amounting to HK$41,203,000, was paid on 8 July 2005.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent for the six months ended 30 June 2005 is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Profit for the period attributable to equity holders of the parent and earnings for the purposes of basic earnings per share	**40,779**	53,158

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	Number of shares	*Number of shares*
Number of ordinary shares for the purpose of basic earnings per share	**4,120,264,902**	4,120,264,902

No diluted earnings per share has been presented for the six months ended 30 June 2005 and 2004 because the exercise price of share options was higher than the average market price per share for 2005 and 2004.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	Basic
	HK cents
Reconciliation of 2004 earnings per share:	
Reported figure before adjustments	1.32
Adjustments arising from the adoption of HKFRS 2	(0.03)
Restated	1.29

9. INTERESTS IN ASSOCIATES

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Share of net assets	**650,515**	651,750

The following details have been extracted from the unaudited financial statements of the Group's significant associates, Zhejiang Geely Automobile Limited ("Zhejiang Geely") and Shanghai Maple Guorun Automobile Limited ("Maple Guorun").

Results for the period ended 30 June 2005

	Zhejiang Geely	**Maple Guorun**
	HK$'000	***HK$'000***
	(Unaudited)	**(Unaudited)**
Turnover	**1,356,196**	**595,021**
Profit after taxation	**59,409**	**41,971**
Profit after taxation attributable to the Group	**27,803**	**19,643**
Financial position at 30 June 2005		
Non-current assets	**1,707,856**	**485,038**
Current assets	**2,667,341**	**556,599**
Current liabilities	**(2,893,191)**	**(544,268)**
Non-current liabilities	**(552,567)**	**(36,818)**
Net assets	**929,439**	**460,551**
Net assets attributable to the Group	**434,977**	**215,538**

10. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK$23,179,000 (31 December 2004: HK$11,420,000).

The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
0 – 60 days	**21,720**	7,874
61 – 90 days	**1,318**	2,948
Over 90 days	**141**	598
	23,179	11,420

The trade receivables comprise:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Trade receivables from associates	**1,445**	11,219
Trade receivables from group companies of an associate	**21,734**	201
	23,179	11,420

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$17,315,000 (31 December 2004: HK$11,143,000).

The following is an aged analysis of trade payables at the balance sheet date.

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
0 – 60 days	**14,244**	7,763
61 – 90 days	**1,559**	832
Over 90 days	**1,512**	2,548
	17,315	11,143

12. EVENT AFTER THE BALANCE SHEET DATE

On 5 August 2005, the Company granted share options to subscribe for a total of 239,500,000 shares of the Company to the directors and employees under the share option scheme approved and adopted on 31 May 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

Despite an obvious pick up in the demand for sedans since the beginning of the year, 2005 remains a difficult year for the sedan industry in China. Rapidly rising steel and other raw material prices continued to put enormous pressure on car manufacturers' margins. Although their product prices had stabilized and demand for their key products – the affordable economy sedans – remained strong during the period, the Group's two associates – Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") and Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") – experienced amongst the most difficult period during the first half of 2005, featured by rapidly rising costs of raw materials and fierce competition. Despite the new contributions from the Linhai plant and Luqiao plant, both were acquired in July 2004, the temporary closure of the Ningbo plant in the first three months of 2005 for technological upgrading had affected the production and sales volume of Zhejiang Geely. As a result, the combined net profit of the two associates was down 17% in the first six months of 2005, more than offsetting the significantly better earnings performance recorded by the Group's auto part business under its 51%-owned Zhejiang Fulin Guorun Automobile Parts and Components Company Limited ("Zhejiang Fulin"), resulting in a 23% decline in net profit in the first six months of 2005 to HK$41m.

The Groups' turnover was up by 50% to HK$35.9m helped by the substantial growth in the turnover of Zhejiang Fulin, which benefited from the launches of new products like Electric Power Steering ("EPS") at the end of 2004 and the continued good sales volume growth enjoyed by Geely sedans, which utilize the company's braking and steering products. As a result, Zhejiang Fulin returned to profitability in the first half of 2005. The withdrawal from information technology businesses in March 2004 also helped to reduce expenses during the period.

Vehicle manufacturing – Zhejiang Geely and Shanghai Maple

Zhejiang Geely and Shanghai Maple recorded total net profit of HK$101.4m in the first six months of 2005, down 17% over the same period in 2004, despite an 132% increase in sales volume to 57,352 units and 107% increase in total revenues to HK$1,951.2m. The increase in sales volume in the first half of 2005 compared with the same period last year was principally due to the inclusion of the sales volume of Haoqing models following the acquisition of Linhai and Luqiao plants in July 2004. Geely sedans' market share in China continued its upward trend, rising from 4.2% in 2004 to 4.7% in the first half of 2005, ranking number ten in terms of sales volume amongst sedan manufacturers in China.

Revenues per car decreased 11% to HK$34,022 per car as inclusion of low price Haoqing models since the second half of 2004 more than offset the increased sales of higher-priced Maple, Mybo and Free Cruiser models. Net profit per car declined 64% to HK$1,768 per unit – a combined result of the acquisition of 90% stakes in Linhai plant and Luqiao plants by Zhejiang Geely in mid-2004 and the rapid rise in steel and raw material prices during the period. The temporary closure of Ningbo plant from October 2004 to April 2005 for the upgrading of its production facilities and the subsequent relocation of the production of Merrie and Ulion models from Ningbo plant to Linhai plant had also affected the production and sales volume of Merrie and Ulion during the first half of 2005.

Reorganization and Management Team

As part of the Group's ongoing restructuring to transform itself into a company focusing on manufacturing and sales of automobiles and parts, Mr. Li Shufu, the founder and Chairman of Geely Holding Group became the controlling shareholder of the Group in June 2005 after the acquisition of an effective 41.3% stake in the Group, raising its equity stake in the Group to 60.7%.

The members of the Group's Board of Directors had also been changed to reflect the new ownership of the company. Six existing executive directors had resigned and seven new executive directors including Mr. Li Shufu, Mr. Xu Gang, Mr. Yang Jian, Mr. Shim Bong Sup, Mr. Yin Da Qing, Richard, Mr. Liu Jin Liang and Mr. Gui Sheng Yue were nominated to join the Board in June 2005. Mr. Li Shufu was also appointed as the Chairman of the Group on 9 June 2005. Also, Mr. Yeung Sau Hung, Alex was appointed as an independent non-executive director and a member of the Audit Committee and Remuneration Committee of the Group on 6 June 2005. Mr. Yeung is the Chief Executive Officer of DBS Vickers Hong Kong since 1 September 2002, bringing with him more than 20 years' experience in the financial services industry to the Board.

Automobile Parts Manufacturing – Zhejiang Fulin Guorun Automobile

51%-owned Zhejiang Fulin recorded a significant improvement in profitability in the first half of 2005, helped by the successful entry in the high valued automobile component market through the launch of a new Electric Power Steering ("EPS") in October 2004, the strong demand for the company's braking system, and its success in containing cost increase. Turnover grew significantly by 145% to RMB38.1m in the first half of 2005, helping the company to return to profitability during the period. Net profit during the period was RMB1.2m versus RMB0.2m net loss during the same period last year. The Board believes the ("EPS") would become increasingly popular amongst new models to be launched in China in the coming few years, and this should help to further enhance the company's profitability in the future.

Outlook

We believe demand for fuel-efficient and easy-to-maintain affordable economy sedans in China will continue to register strong growth in the near future, helped by China's sustainable economic growth and consistently rising household incomes. With less than 1% of the population owning a car at present, there should be substantial growth potential for car demand in China.

According to figures compiled by the China Association of Automobile Manufacturers, total sales volume of passenger cars grew 9.29% YoY in the first half of 2005 to 1.23 million. Although fierce competition in China's sedan market should remain, we expect the growth of China's sedan sales volume to be maintained at around 10% in the rest of 2005, reaching 2.5 million units for the full year. However, sales of lower end sedans should continue to grow faster than other types of sedans during the year due to the continued migration of demand from corporates to individuals. We maintain our year beginning target of raising our market share in China's sedan market from 4.2% in 2004 to 5% in 2005, thus translating into full year sales volume of 120,000 units in 2005, up over 80% from 2004. In the first half of 2005, the Group's two associates had sold 57,352 units of vehicles, achieving 48% of their combined full year target, thus putting us on track to achieve our full year sales target.

In the short to medium term, the Group will continue to actively seek for ways and opportunities 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 Geely Holding's auto related businesses. To achieve that, the Group would actively consider to raise its shareholdings in the two associates to over 50% subject to government approval and compliance with relevant regulations.

CAPITAL STRUCTURE AND TREASURY POLICIES

The business activities of the Group are mainly financed by the share capital and cash generated from the operating activities. As at 30 June 2005, the Group's shareholders' fund amounted to HK$653 million (As at 31 December 2004: HK$653 million). No additional share was issued 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 2005, the Group's current ratio (current assets/current liabilities) was 1.02 (As at 31 December 2004: 1.01 (restated)) and the gearing ratio of the Group was nil (As at 31 December 2004: nil (restated)) which was calculated on the Group's total borrowings to total shareholders' equity. 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 2005, the total number of employees of the Group including associates was about 6,680 (As at 31 December 2004: 6,941). 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 13 September 2005, the Directors resolved not to pay an interim dividend to shareholders (2004: 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 2005.

CORPORATE GOVERNANCE

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("CG Code") which has come into effect for accounting periods commencing on or after 1 January 2005. In the opinion of the Directors, the Company has applied the principles and complied with the requirements as set out in the CG Code, with a major deviation from CG Code provision A.2.1 in respect of the separation of roles of the Chairman and Chief Executive Officer throughout the review period. Details are described as follows:

The Board, headed by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all crucial and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Management is responsible for the daily operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other Executive Directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

The role of the Chairman and Chief Executive Officer of the Group rests on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision-making for the following reason:

- The independent non-executive directors proactively challenge the assumptions and proposals of the management, both during and outside of Board meetings through discussion with the Chairman and among the directors via email or telephone, on pertinent issues that would cast impact on the affairs and business of the Group. This enables the Board benefiting from the objective judgment from these independent non-executive directors.

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 2005, the audit committee comprised Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

During the period from 7 March 2005 (the resignation date of Mr. Liu Ming Hui, a former independent non-executive director) to 6 June 2005 (the appointment date of Mr. Yeung Sau Hung, Alex as an independent non-executive director), the Company had been unable to strictly comply with the relevant rules 3.10 and 3.21 of the Listing Rules requiring the Company to retain at all times a minimum of three independent non-executive directors and audit committee members.

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

Hong Kong, 13 September 2005

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

Please also refer to the published version of this announcement in The Standard.