

INTERIM DIVIDEND

At a meeting of the Board held on 30th August, 2004, the Directors resolved not to pay an interim dividend to shareholders (2003: Nil).

MANAGEMENT DISCUSSION & ANALYSIS

Financial Performance

For the six months period ended 30th June, 2004, the Group recorded turnover of HK\$23,883,000, representing an increase of approximately 53% compared with approximately HK\$15,619,000 for the corresponding period 2003. Profits attributable to shareholders amounted to approximately HK\$54,431,000, compared with the unaudited profit attributable to shareholders of HK\$903,000 for the corresponding period last year. Basic earnings per share was approximately HK\$1.32 cents (2003: HK0.03 cents).

The Board does not recommend any payment of dividend for the period ended 30th June 2004 (2003: nil).

Business Overview

Over the last one year, the Group laid the foundation for the automobile industry investment and accomplished the business transformation of the Group. Automobile has become the core business and the major future income and earnings stream of the Group. The Group and Geely Holdings Group Limited ("Geely Group") have also established an even closer relationship. Following the joining of Mr. Zhang Zhe and Mr. Nan Yang, both Vice President of Geely Holdings, to the Board of the Group, Mr. Li Shufu, the founder and Chairman of the Geely Holdings has also become one of the largest shareholders of Geely Automobile Holdings Limited effective from 5th January, 2004.

To reflect the core business of the Group of the automobile business, the Group held an Extraordinary General Meeting on 1st March 2004, and resolved to change the Company's name from "Guorun Holdings Limited" to "Geely Automobile Holdings Limited" ("Geely Auto").

To Benefit from the huge growth potential of the automobile market in the PRC, the Group would continue to seize opportunities to actively expand its automobile business. In May 2004, through the two associated companies under the Group, namely Zhejiang Geely Automobile Co. Limited (Zhejiang Geely) and Shanghai Maple Guorun Automobile Co. Limited, (Maple Guorun) the Group agreed to acquire 90% interests in Zhejiang Haoqing Automobile Manufacturing Company Limited (Zhejiang Haoqing), Zhejiang Geely Automobile Research Institute Limited and Ningbo Geely Engine Research Institute Limited respectively with a total consideration of RMB723,000,000 from the Geely Holdings Group Limited and its subsidiary company Zhejiang Geely Merrie Automobile Co., Limited. The acquisition was completed on 6 July 2004. After the completion of the acquisition, the automobile business of Geely Holdings Group Limited, was already included in the joint venture company that was formed by the Group, including the automobile research and development institute, production plants, car models, corresponding engines and gearboxes being launched or to-be-launched, etc. The designed annual production capacity (single shift) would rise to 200,000 sedans.