

MANAGEMENT DISCUSSION & ANALYSIS 管理層討論及分析

行業趨勢分析

根據中國汽車工業協會的統計，二零零三年，中國生產汽車4,443,700輛及銷售4,390,800輛，其中轎車生產約2,003,200輛及銷售約1,971,900輛。中國已成為全球第四的汽車產銷國。

隨著中國國民收入和生活水平的提高，轎車正在由奢侈品逐步轉變為普通消費品進入中國家庭。中國超逾人民幣10萬億元的居民儲蓄存款，由住房改革形成的高住房擁有率和低家庭負債率，刺激中國居民在擁有住房和家電後，消費意欲轉向轎車。農村城鎮化的推進，汽車消費信貸的逐步開放和普及，全球第二的高速公路里程，令轎車市場產生龐大而持續增長的消費需求。

中國政府鼓勵汽車產業成為國民經濟新的支柱產業，並藉此將中國變成全球重要的汽車生產國。

與汽車整車生產密切相關的基礎工業：如鋼鐵、橡膠、工程塑料、玻璃、電子電器等產業日漸成熟。跨國車廠及跨國汽車零部件工業進入中國，帶動了中國汽車產業的發展及提升了整體技術水平。

Analysis of Industry Overview

According to the statistics of the PRC Association of Automobile Industry, the production and sale volume of automobile in the PRC were about 4,443,700 units and about 4,390,800 units respectively, of which sedan represented about 2,003,200 units and 1,971,900 units respectively. In terms of production and sales of automobile, China has been ranked fourth over the world.

With significant growth of average income and living standards of the PRC citizens, sedan has been regarded as common consumer goods penetrating into most Chinese families rather than durable goods. There are over RMB10,000 billions of saving deposits among the PRC citizens, coupled with a high housing commodity occupancy rate and a low household liability ratio resulting from the reform of housing commodity, the PRC citizens are more stimulated to consume sedans as they have already owned premises and home appliances. While the urbanization process accelerates, automobile financing is liberalized and becomes more popular, as well as the total length of expressway has been ranked second in the world, the market demand for consumption of sedan continued to escalate and soar.

In view of the encouragement from the Chinese Government to promote the automobile industry to be the new core industry to the economy, China becomes an important automobile production country in the world.

The fundamental industries closely related to the production of automobile, such as steel and iron, rubber, plastic material for engineering use, glass, electronic appliances, have developed as niche markets. Moreover, multinational automobile factories and industries of automobile parts and components penetrated into China, thereby accelerating the development of automobile industry in the PRC and enhancing the overall technological level.

MANAGEMENT DISCUSSION & ANALYSIS 管理層討論及分析

過去幾年，中、高端轎車獲得較低端產品更快的發展速度，這是轎車進入家庭初期，最富裕階層購買力優先釋放的結果，並非一種長期的趨勢。之後，中低收入家庭的購買力將逐步釋放，低端轎車將逐步成為中國轎車市場的主流產品，獲得最快的增長速度，擁有最廣泛的空間。

在未來五年的中國本地市場，跨國車廠的產品在中高端領域具有品牌和技術優勢，在低端市場，中國本土企業則具有成本優勢。消費者從初期追求外國品牌到逐步信賴本土產品。中國本土汽車企業特別是私營企業較外國車商更具有成本控制能力和市場觸覺，具有生存和成長空間。

根據中國汽車工業協會的統計，二零零三年，有 12 間轎車企業年銷量超過 50,000 輛。龐大的市場需求讓中國可以容納更多的汽車制造商，並讓轎車生產企業獲得較國際同業更高的利潤率及在較低銷量時亦能獲取利潤。根據中國加入世貿的承諾，中國會於二零零五年取消進口汽車的配額限制，進口汽車的綜合進口稅率將逐步降低至二零零六年七月一日不高於 25%。全球主要的轎車制造商已經或

Over the past few years, the medium and high-end products were developed faster than those low-end products. This was the outcome of the first release of purchasing power of rich people when sedan has started to venture into families. However, the situation had not sustained for a long time. Upon the gradual release of purchasing power of those medium and low-income households afterwards, the low-end sedan eventually became the core product of the PRC sedan market and achieved the most rapidly growth and nationwide development.

Looking forward the domestic market for future five years, the brand recognition and technological strength of the products from multinational automobile factories would be built up among the medium and high-end markets. For the low-end market, domestic enterprises in the PRC would enjoy the cost-effective advantage. Currently, consumers are more relied on the domestic products while they have been in pursuit of those foreign-branded automobiles initially. Compared to foreign automobile factories, the domestic automobile enterprises in the PRC especially private enterprises, by leveraging on their higher level of cost control and faster market response, would have robust development and growth potential.

According to the statistics of the PRC Association of Automobile Industry, there were 12 sedan enterprises with annual sale volume of over 50,000 units in 2003. Capitalizing on the tremendous market demand, more and more automobile manufacturers operate in the PRC, and the sedan manufacturing enterprises also gain much higher profit margin than those international players and earn profit even though the sale volume is comparatively lower. Upon China's accession into the WTO, the quota imposed on imported automobile will be eliminated by 2005 and the combined import tax rate on imported automobile will gradually be decreased to 25% or below on 1 July 2006. Since most of the global leading

正在進入中國市場，預期中國更多的本土企業也會進入這一市場，競爭將日趨激烈。汽車售價的下降和新車型的不斷推出，是這種競爭的表現，同時也是推動中國汽車消費市場成長的強大動力。競爭的結果將使中國的汽車製造業成為全球汽車產業中最具競爭力的一員，產品品質達到國際水平，成本卻更低，從而逐步出口至全球市場。

當然，汽車市場的蓬勃發展，同時會給能源、基礎設施、道路安全、環境等方面帶來壓力，中國政府和市場需要在這相關領域取得平衡及協調。

業務回顧

截至二零零三年十二月三十一日止年度，本集團的營業額為港幣39,872,000元（二零零二年：港幣71,820,000元），較去年同期下降約44.5%。股東應佔盈利為港幣57,486,000元，而上年度則為虧損淨額港幣105,981,000元；每股基本盈利約港幣1.6仙（二零零二年：每股基本虧損港幣4.3仙）。

董事會不建議派發截至二零零三年十二月三十一日止年度之末期股息（二零零二年：無）。

sedan manufacturers have entered or are entering the PRC market, coupled with numerous domestic enterprises are expected to come to share the market, competition will be more fierce. The decrease in selling prices and the continuous launch of new models, which are the outcome under keen competition, have greatly motivated the automobile consumption market to grow. As a result of the competition, the automobile manufacturing industry in the PRC will become one of the most competitive player in the global automobile industry, by quality of international level and advantage of lower costs, the domestic products are exported to the global market.

In view of the dramatic development of automobile market, which will bring much pressure to the aspects such as energy, fundamental facilities, road safety and environment, the Chinese Government and the PRC market would have to balance on and coordinate with these related aspects.

Business Review

For the year ended 31 December 2003, the Group recorded a turnover of HK\$39,872,000 (2002: HK\$71,820,000), representing a decrease of approximately 44.5%. Profit attributable to shareholders reached HK\$57,486,000, compared to a net loss of HK\$105,981,000 last year. The basic earnings per share was HK\$1.6 cents (2002: basic loss per share HK\$4.3 cents).

The Board resolved not to pay the final dividend for the year ended 31 December 2003 (2002: nil).

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二零零三年，是本集團進行業務重組的重要一年。成功轉虧為盈，全賴年度內新成立的聯營公司吉利國潤七個月營運期及華普國潤一個月營運期，組裝及售出轎車 27,594 輛，錄得稅後溢利淨額港幣 145,357,000 元，為本集團提供攤分港幣 68,027,000 元之稅後溢利淨額之盈利貢獻。

浙江吉利國潤汽車有限公司

二零零三年三月三十日，本集團與吉利控股及其附屬公司達成協議，組建合資公司 吉利國潤，在浙江省寧波市北侖經濟技術開發區組裝吉利系列經濟型轎車。二零零三年十月十日，雙方就合資公司達成增資協議。本集團佔 46.8% 股權，吉利控股佔 53.2% 股權。合營企業為本集團之聯營公司。

合資企業吉利國潤於二零零三年五月二十七日獲註冊成立，並於二零零三年六月一日起開始營運。增資協議於二零零三年十一月三日獲中國政府批准並生效。吉利國潤已於二零零四年三月二十三日改名為浙江吉利汽車有限公司。

合資企業註冊資本為 82,802,824 美元（約合人民幣 684,641,000 元）。

Year 2003 is an important year of the Group under business reorganization. The Company successfully returned to profitability during the year was the outcome of net profit after tax attributable to the Group of HK\$68,027,000 from Geely Guorun during its seven-month operating period and from Maple Guorun during its one-month operating period. Both associates are newly established by the Company during the year which have assembled and sold an aggregate of 27,594 units of sedan and recorded net profit after tax of HK\$145,357,000.

Zhejiang Geely Guorun Automobile Company Limited

On 30 March 2003, the Group entered into an agreement with Geely Holding and its subsidiaries for the establishment of Geely Guorun to engage in the assembly of sedan of economic class under Geely series in Beilun Economical and Technological Development Zone, Ningbo, Zhejiang Province. On 10 October 2003, both parties reached a capital increase agreement in respect of the joint venture company, which is owned as to 46.8% by the Group and as to 53.2% by Geely Holding. The joint venture is an associate company of the Group.

The joint venture company, Geely Guorun, was incorporated on 27 May 2003 and commenced its operation on 1 June 2003. The capital increase agreement came into effect on 3 November 2003 upon approval of the Chinese Government. Geely Guorun has changed its name to Zhejiang Geely Automobile Company Limited on 23 March 2004.

The registered capital of the joint venture company was US\$82,802,824 (equivalent to approximately RMB684,641,000).



本集團先後向合資企業支付現金港幣 301,020,000 元（約合人民幣 320,550,000 元）認繳註冊資本。吉利控股先後向合資企業注入 547,000 平方米土地、157,000 平方米廠房，設計能力為單班年產 60,000 台套的發動機、變速箱生產綫、單班年產 60,000 台之整車沖壓、焊接、塗裝、總裝生產綫，排汽量為 1.3L、1.5L、1.6L、1.8L 之四款發動機，吉利•美日、吉利•優利歐、吉利•美人豹都市跑車三款基本車型及相關的模具、卡具、檢具等資產，以帳面資產值及累積開發成本為基礎作價人民幣 806,886,000 元，其中人民幣 364,091,000 元認繳註冊資本，超出部份計人民幣 442,795,000 元作為股東信貸。

The Group has paid up the registered capital to the joint venture company of HK\$301,020,000 (equivalent to approximately RMB320,550,000) in cash. Geely Holding has contributed to the joint venture company of its assets, including a land of 547,000 square meters, a factory of 157,000 square meters, the engine and gearbox production line with a designed annual production capacity (single shift) of 60,000 units, the production line of automobile stamping, welding, paint dressing and overall assembly with a designed annual production capacity (single shift) of 60,000 units, four types of engines with a gas emission level of 1.3L, 1.5L, 1.6L and 1.8L respectively, three fundamental models of leisure sports sedan namely "Geely Merrie", "Geely Ulion" and "Mybo (Beauty Leopard)" and their related mould, jigs and test facilities. The consideration based on carrying value of the assets and accumulated development costs was RMB806,886,000, of which RMB364,091,000 was the paid-up registered capital and the exceeding portion of RMB442,795,000 was shareholders' loan.



MANAGEMENT DISCUSSION & ANALYSIS 管理層討論及分析



上海華普國潤汽車有限公司

二零零三年十月十日，本集團與吉利集團及其附屬公司上海華普達成協議，合資組建華普國潤，在上海市金山區楓涇工業區生產華普系列經濟型轎車。本集團佔 46.8% 股權，吉利控股佔 53.2% 股權。合資企業華普國潤於二零零三年十一月二十四日註冊，並於二零零三年十二月一日起開始營運。合資企業註冊資本為美元 51,696,871.35 美元（約合人民幣 427,259,000 元）。合資企業為本集團之聯營公司。

本集團向合資企業支付現金港幣 188,053,000 元（約合人民幣 200,000,000 元）認繳註冊資本。

Shanghai Maple Guorun Automobile Company Limited

On 10 October 2003, the Group entered into an agreement with Geely Holding and its subsidiary, Shanghai Maple for the establishment of Maple Guorun to engage in the production of sedan of economic class under Maple series in Shanghai Jinshan Fengjing Industrial Zone. The joint venture company is owned as to 46.8% by the Group and as to 53.2% by Geely Holding. The joint venture company, Shanghai Maple, was incorporated on 24 November 2003 and commenced its operation on 1 December 2003. The registered capital of the joint venture company was US\$51,696,871.35 (equivalent to approximately RMB427,259,000). The joint venture is an associate company of the Group.

The Group has paid up the registered capital to the joint venture company of HK\$188,053,000 (equivalent to approximately RMB200,000,000) in cash.



上海華普向合資企業注入403,000平方米土地、62,122平方米廠房，一條設計能力為單班年產約40,000輛轎車之沖壓、焊接、塗裝、總裝生產綫，上海華普•颶風、華普M203二款基本車型及相關之模具、卡具、檢具等資產，以帳面資產值及累積開發成本為基礎作價人民幣325,436,000元，其中人民幣227,259,000元認繳註冊資本，超出部份計人民幣98,177,000元作為股東信貸。

浙江省福林國潤汽車零部件有限公司

二零零三年十二月五日，本集團與浙江省福林汽車零部件有限公司（「浙江福林」）達成協議，合資組建浙江省福林國潤汽車零部件有限公司（「福林國潤」），在浙江省台州市生產轎車用剎車片，並開發電動助力系統等零部件。本集團佔51%股權，浙江福林佔49%股權。

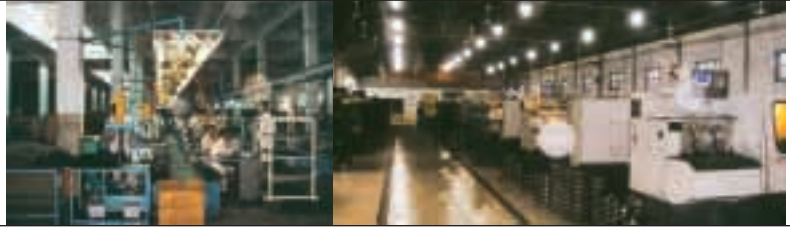
Shanghai Maple has contributed to the joint venture company of its assets, including a land of 403,000 square meters, a factory of 62,122 square meters, a production line of automobile stamping, welding, paint dressing and overall assembly with a designed annual production capacity (single shift) of 40,000 units, two fundamental models of "Gale Wind" and "Maple M203" of Shanghai Maple and their related mould, jigs and test facilities. The consideration based on carrying value of the assets and accumulated development costs was RMB325,436,000, of which RMB227,259,000 was the paid-up registered capital and the exceeding portion of RMB98,177,000 was the shareholders' loan.

Zhejiang Fulin Guorun Automobile Parts & Components Company Limited

On 5 December 2003, the Group entered into an agreement with Zhejiang Fulin Automobile Parts & Components Company Limited ("Zhejiang Fulin") and its subsidiaries for the establishment of Zhejiang Fulin Guorun Automobile Parts & Components Company Limited ("Fulin Guorun") to engage in the production of brake slice for sedan in Taizhou, Zhejiang Province and the development of parts and components such as electrical power system. The joint venture company is owned as to 51% by the Group and as to 49% by Zhejiang Fulin.



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合資公司已於二零零三年十二月十九日註冊成立，並於二零零三年十二月二十二日起開始營運。合資企業福林國潤註冊資本為人民幣 10,000,000 元。

本集團向合資企業支付現金港幣 4,792,000 元（約合人民幣 5,100,000 元）認繳註冊資本。浙江福林向合資企業注入相當於人民幣 4,900,000 元之資產認繳註冊資本。福林國潤為本公司之附屬公司，於本會計年度不足一個月的營運期間，錄得輕微虧損，本集團按合併帳處理。

兩間聯營公司及一間附屬公司的設立，奠定了本集團投資中國汽車產業的基本佈局，也使本集團之業務成功轉型並定位於汽車製造及其相關業務。

資金用途、技術改造及產能提升

本集團投入吉利國潤及華普國潤之資金共計港幣 489,073,000 元，主要用於以下資本性支出：

吉利國潤增加一條 2,000 噸沖壓生產綫，增加柔性發動機缸體缸蓋生產綫，自動變速箱生產綫，焊接、塗裝、總裝生產綫瓶頸工位的技術改造及其它技術改造。

The joint venture company was incorporated on 19 December 2003 and commenced its operation on 22 December 2003. The registered capital of the joint venture company, Fulin Guorun, was RMB10,000,000.

The Group has paid up the registered capital to the joint venture company of HK\$4,792,000 (equivalent to approximately RMB5,100,000) in cash by Zhejiang Fulin has contributed to the joint venture company a registered capital of RMB4,900,000. As a subsidiary of the Company, Fulin Guorun recorded slight loss which would be dealt in combined accounts during its less than one-month operating period for the current financial year.

The establishment of the above two associated companies and one subsidiary has not only consolidated the foundation of the Group's investments in the PRC automobile industry, but also enabled the business of the Group to be successfully transformed to and positioned in automobile manufacturing and its related businesses.

Use of Proceeds, Enhancement in Technology and Capacity

Fund contributed by the Group to Geely Guorun and Maple Guorun amounted to HK\$489,073,000 and were principally applied to as capital expenditure for the following purposes:

Addition of a 2,000-tonne stamping production line, a high-flexibility engine cylinder and cover production line, an automatic gearbox production line, technological enhancement at bottlenecks in welding, painting, overall assembly production lines and other sections at Geely Guorun.

華普國潤增加一條2,000噸沖壓生產綫，及新建發動機廠，用於生產GL16(1.587L)、GL18(1.762L)發動機。

兩間聯營公司，現時之設計生產能力合共為單班年產100,000輛轎車。上述技術改造措施於本年度已開始實施，預期在二零零五年年初會全面完成。屆時，兩間聯營公司將可達至合共年產250,000輛轎車及相配套的發動機和變速箱的綜合生產能力。

產品和市場

本集團首先生產低端轎車產品進入中國經濟型轎車市場，在取得相當的市場佔有率和研發生產經驗後，逐步向中端產品發展，並逐步進入國際市場，以提高品牌形象及獲取更高的邊際利潤。

1. 零部件

剎車片： 附屬公司生產汽車剎車片，開始供應予吉利及華普系列轎車使用。

動力總成： 聯營公司生產四款發動機及相匹配的變速箱：MR479Q(1.342L)及手動變速箱供應予吉利•美日、優利歐、美人豹及華普颯風。

Addition of a 2,000-tonne stamping production line and a new engine plant for the GL16(1.587L) and GL18(1.762L) engines at Maple Guorun.

These two associated companies have a total capacity in one shift of 100,000 sedans per year. The above technological enhancements had been implementing in the year and were expected to complete by early 2005. By then, combined capacity of these two associated companies will reach 250,000 sedans with corresponding engines and gearboxes.

Products and Markets

At the beginning, the Group entered the PRC bargain sedan market by manufacture of low-end sedans. Having seized a sizeable market and gained more experience in research and development, the Group began its development focused to mid-end products and also opened the international market with a view to enhance our brand image and earn a higher profit margin.

1. Parts and components

brake slice: The subsidiaries were supplying brake slices for the Geely and Maple sedans.

Power assembly: The associated companies were supplying four models of engines and corresponding gearboxes: MR479Q(1.342L) and hand-controlled gearboxes (for Geely Merrie, Uliou, Mybo (Beauty Leopard) and Maple Gale Wind).

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MR479QA(1.498L)及手動變速箱供應予吉利•美人豹及華普M203。GL16(1.587L)、GL18(1.762L)及手動變速箱已完成研發，預計由二零零四年下半年開始逐步投入工業化生產。將供應予吉利•美人豹及新車型CI-1。

自行生產動力總成的主要目標是要掌控汽車生產的核心技術及降低成本。目前規劃的產能是為自身終端產品配套，並無銷售予其它同業的計劃。

2. 轎車

聯營公司生產的吉利•美日、吉利•優利歐、華普•颶風、華普M203四款基本型號及其演變車型，裝備1.3L、1.5L低排氣量發動機，零售價介乎人民幣36,000至人民幣80,000元之間，適合中國小康家庭的要求。主要消費者包括私營小企業業主、公務員、工薪族，在中國市場頗受歡迎。吉利•美日在本年度已小量試驗性出口至中東市場。

3. 都市跑車

聯營公司生產的吉利•美人豹都市跑車，裝備1.3L、1.5L低排量發動機，售價介乎人民幣130,000元至人民幣150,000元之

MR479QA(1.498L) and hand-controlled gearboxes (for Mybo (Beauty Leopard) and Maple M203). Research and development for GL16(1.587L), GL18(1.762L) and the hand-controlled gearbox were finished and commercial production was expected to commence gradually from the second half of 2004. The products would be supplied for Mybo (Beauty Leopard) and the new CI-1 model.

The Group manufactures its own power assembly with a view to own the core technological know-how in automobile production and to reduce costs. Currently, the planned capacity of parts is for the Group's own end products. There is no plan to commence sales to other automobile manufacturers.

2. Sedans

The associated companies manufactured 4 basic models of sedans: Geely Merrie, Geely Ulion, Maple Gale Wind and Maple M203 as well as their variation models. These sedans equipped with 1.3L or 1.5L low exhaust emission engines with retail prices ranged from RMB36,000 to RMB80,000 and were suitable for families with mid-level income in the PRC. Main customers of these sedans were private enterprise owners, civil servants and executives. These sedans were rather popular in the PRC. Geely Merrie had also begun export to Middle East market in small quantity on a trail basis.

3. Sports Car

Mybo (Beauty Leopard), the sports car manufactured by the associated company, equipped with 1.3L or 1.5L low exhaust emission engines and with retail prices ranged from RMB130,000 to RMB150,000. They commenced sales in the market in

間，在二零零三年十二月份開始於市場銷售，迎合時尚一族的口味。美人豹也是中國汽車行業的第一款跑車，面對市場空檔，獲得業界和消費者的極度關注，其設計屢獲殊榮，並被中國國家博物館永久收藏。現在正計劃裝備1.6L、1.8L發動機及改進其底盤技術，以使其運動功能更加突出。

4. 新車型

每年均會對現有車型進行改良，推出年度新款。

華普M203：是一款被譽為性價比之王的經濟型轎車，於二零零四年一月二日正式推出市場，預期帶來重大增長。

中韓一號(CK-1)：由吉利汽車研究院設計，南韓大宇國際、宇信、塔金屬、CES工程公司進行工程驗證，並提供模具和生產線關鍵工程設備，採用優利歐底盤和動力總成的一款全新車型，預期於二零零四年八月在寧波投入生產並推出市場。

中意一號(CI-1)：由吉利汽車研究院與意大利Maggiore SPA-Auto Projects Group聯合設計，並由外方提供全套模具，採

December 2003 and were targeted at customers with a fashionable life-style. Mybo (Beauty Leopard) was also the first sports car made by the PRC automobile industry. As this car fills the gap in market, it has drawn much attention from the industry as well as the consumers. Its critically acclaimed design has been selected by the National Museum in PRC as a permanent item. The Group is contemplating to install the 1.6L and 1.8L engines and to improve its chassis technology in order to achieve more outstanding driving performance.

4. New models

The Group will introduce new versions modified on the basis of existing models every year.

Maple M203: a bargain price sedan which gained high regards from the market because of its great value and high quality. Launched to the market on 2 January 2004, it is expected to make significant contribution to our growth.

CK-1: it is a new model designed by Geely's automobile research centre, with its construction had been examined by Daewoo International Corporation, Wooshin Systems Company Limited, Top Metal Company Limited and CES Company Limited, and the same had provided the modules and essential equipment for the production line. The car uses chassis and power assembly from Geely Ulion. It is expected that its production to be commenced at Ningbo in August 2004 and launch to the market.

CI-1: it is a new mid-sized model designed by Geely's automobile research centre in collaboration with Maggiore SPA-Auto Projects Group of Italy, and the complete modules had been provided by the external parties. It adopts GL16 (1.587L)

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用GL16(1.587L)、GL18(1.762L)發動機的一款全新中級車型，預期二零零五年年初在上海投入生產並推出市場。

新車型會令到本集團汽車產品之外觀形象和整體品質得到重大改善。

吉利控股之背景

吉利控股是一間於中國浙江省註冊的大型民營企業集團，有近二十年的歷史，汽車產業為其核心業務。

吉利於十年前開始研發汽車，一九九八年八月，其自行設計的第一輛「豪情轎車」在浙江臨海生產基地下綫。從一九九九年至二零零三年，其轎車銷量分別為約2,000輛、8,000輛、21,000輛、48,000輛、80,000輛，呈高速增長。二零零三年佔中國轎車市場份額約4%，成為中國本土主流車廠之一。

吉利汽車生產及營運基地位於浙江省及毗鄰的上海市金山區，浙江是中國最活躍的長江三角洲經濟圈中最重要製造業基地，私營經濟尤為發達，也是中國汽車零部件工業的重要集中地。

吉利在浙江寧波、臨海、路橋及上海金山區建立了四個汽車生產基地，其中臨海、寧波、上海基地已先後投入

or GL18 (1.762L) engine and it is expected that its production to be commenced at Shanghai in early 2005 and launched to the market.

The new models will further enhance the image of our automobile products.

Background information of Geely Holding

Geely Holding is a private group company incorporated in Zhejiang, PRC with 20 years of history and its core business is of automobile industry.

Geely began research and development of automobile a decade ago. The first sedan being designed by Geely itself (i.e. "Haoqing sedan") came out of factory in August, 1998. From 1999 to 2003, sales of Geely sedans had shown strong growth with sedans sold amounted to 2,000 units, 8,000 units, 21,000 units, 48,000 units and 80,000 units respectively. With a market share of approximately 4% in the PRC sedan market in 2003, Geely has become one of the leading domestic automobile enterprises in the PRC.

Production facilities of Geely Automobile are located in Zhejiang Province and the nearby Jinshan District, Shanghai. Zhejiang is the most important industrial base within the Yangzi River Delta economic zone, the most active economic development region in the PRC. Zhejiang has a particularly active private economy and is also the key hub of automobile parts industry in the PRC.

Geely has established four production bases for automobiles at Ningbo, Linhai, Luqiao of Zhejiang and Jinshan of Shanghai, amongst which the Linhai, Ningbo and Shanghai bases have

正常生產，路橋基地將於二零零四年年底開始試生產，現時亦正在開始進行寧波和上海基地的二期擴展工程。在全部工程建設完成後，可於二零零七年形成年產約650,000輛汽車的綜合生產能力。此外，吉利已初步建立了由426間零部件供應商、156間4S汽車專賣店、181間汽車經銷商及604家售後服務站組成的供應和銷售體系，並正在國外一些潛在的市場建立銷售體系。

吉利已逐步推出市場銷售的包括吉利•豪情、吉利•美日、吉利•優利歐、華普•颶風、華普M203五款經濟型轎車以及吉利•美人豹都市跑車，配備1.0L、1.3L、1.5L低排氣量發動機，轎車零售價介乎人民幣33,000元至元人民幣80,000元之間，跑車零售價為人民幣130,000元至人民幣150,000元之間。

吉利的自主開發能力正在不斷成熟和提高，掌握發動機、變速箱、底盤等汽車核心技術，在排氣量為1.8L及以下的汽車領域已不存在任何技術障礙。繼所有已推出車型均是在吸收汽車界同業先進公開技術的基礎上自主設計以外，吉利新開發的皮卡和輕型貨車也已獲得中國政府銷售許可，即將推出市場。吉利汽車研究院現正配合韓國大宇國際研發中韓一號(CK-1)、配合意大利Maggiore SPA-Auto研發中意一號(CI-1)、配

commenced commercial production and the Luqiao base will commence trial production by the end of 2004. The second phase expansion work has also begun in Ningbo and Shanghai bases. Upon completion of all construction and expansion work, the combined production capacity of Geely will reach 650,000 automobiles per year in 2007. Furthermore, Geely had established a supply and sales network initially comprised of 426 parts suppliers, 156 4S automobile exclusive stores, 181 automobile dealers and 604 after-sale service centers. It is also in the process of building other sales networks in some potential overseas markets.

The models which have been launched to the market by Geely include the five bargain sedan models: Geely Haoqing, Geely Merrie, Geely Ulion, Maple Gale Wind, Maple M203 and the sports car Mybo (Beauty Leopard), all of them are equipped with low exhaust emission engines with sizes of either 1.0L, 1.3L and 1.5L. Retail prices of the sedans range from RMB33,000 to RMB80,000, and the racing car is priced at around RMB130,000 and RMB150,000.

The development capability of Geely continues to strengthen and grow. It has owned the know-how in such core automobile parts like engine, gearbox and chassis, and there is no technological obstacle for Geely in manufacture of automobiles with sizes under 1.8L. Other than the models Geely has launched so far which are of its own design based on open technology of other automobile manufacturers, Geely's newly developed pick-up truck and light-sized truck have also received sales permission from the PRC authority and will be launched to the market shortly. In collaboration with Daewoo International Corporation of Korea, Maggiore SPA-Auto of Italy and Ruecker AG of Germany, Geely's automobile research center is in the process of research and

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合德國呂克公司研發中德一號 (CG-1)三款全新升級車型。吉利即將完成自動變速箱的路面試驗，也正在研發 2.0L 及 2.4L 排氣量發動機及相關的全新車型以及 SRV 產品。

吉利於二零零四年計劃產銷汽車 160,000 輛。

吉利屬下寧波、上海汽車基地全部生產性汽車資產以及臨海基地內的美人豹專用生產綫已置於本集團的聯營公司之內，這些生產設施於二零零三年合資前後共銷售汽車 43,365 輛。

本集團與吉利控股之關係

根據本集團於二零零三年三月三十日與吉利控股簽訂的合資協議，本集團擁有優先權，可於該簽約日起兩年內逐步向吉利控股收購或投資其它整車生產設施、發動機廠、變速箱廠、研發機構、銷售及售後服務網絡。

本集團的目標是希望吉利控股之全部汽車資產均進入與本集團之合資企業，及在中國法律允許的前提下，本集團增持合資企業股權至超過 50%。

development of three new supreme class models, namely CK-1, CI-1 and CG-1. Road test for its automatic gearbox is almost completed, while research and development of 2.0L and 2.4L engines and related new automobile models as well as SRV products is also in process.

Geely is now planning to manufacture 160,000 automobiles in 2004.

The automobile manufacture-related assets of Geely's Ningbo and Shanghai bases and the Mybo (Beauty Leopard) production line in its Linhai base had all been allocated under the associated companies of the Group. Under corporation, these production facilities sold an aggregate of 43,365 units of automobile in 2003.

Relationship between the Group and Geely Holding

Pursuant to a joint venture agreement entered into between the Group and Geely Holding on 30 March 2003, the Group should have the pre-emptive right to acquire or make further investment in other automobile production facilities, engine and gearbox factories, research organizations, sales and after-sales service network of Geely Holding within two years from the date of signing the agreement.

The goal of the Group is to have all automobile assets of Geely Holding be injected into the joint venture company of the Group and, subject to compliance with the PRC law, to increase its shareholding in the joint venture company to over 50%.

吉利創始人及控股股東李書福先生在二零零四年一月五日成為本公司之重要股東以及本公司於二零零四年三月一日更改名稱以後，本集團與吉利控股在發展汽車產業方面擁有完全一致的共同利益。

前瞻

二零零四年中國經濟將繼續保持較高增長。根據國家統計局預測，二零零四年汽車產量將有機會達到5,500,000輛，其中轎車產量可能達到2,800,000輛以上。

本集團將致力完成兩間聯營公司為提升綜合生產能力而進行的技術改造，在全綫車系逐步增加ABS、EBD、自動變速箱及其他較高端配置，盡早推出改進車型及中韓一號(CK-1)全新車型，藉以增加市場佔有率，提高平均售價及邊際利潤。聯營公司二零零四年計劃於中國內地及國際市場銷售汽車超過100,000輛，其中吉利•美人豹都市跑車超過8,000輛。

展望未來，憑藉於合營公司的投資，可令本集團受惠於中國汽車產業及市場之增長勢力，本集團將把握機遇，專注經營及擴展汽車業務。董事深信：吉利和華普品牌的物超所值、高性價比汽車產品，不僅能在中國蓬勃發展的本土市場取得成功，也有機會在國際市場取得成功。本集團亦會在

With Mr. Li Shu Fu, founder and controlling shareholder of Geely, becoming a significant shareholder of the Company since 5 January 2004 and change of the Company name on 1 March 2004, interest of the Group in development in automobile industry has been able to reconcile further with that of Geely Holding.

Outlook

It is expected that the PRC economy will continue to register strong growth. According to the State Statistical Department, automobile production volume may reach 5,500,000 units in 2004, with production volume of sedans of more than 2,800,000 units.

The Group is committed to complete the technological enhancement plans in the two associated companies in order to increase the combined production capacity. ABS, EBD, automatic gearboxes and other high-end components will eventually be added to all lines of models. The Group is in full speed to prepare the launch of various modified models and the new CK-1 with the aim of increase its market share, the average price level and the profit margin. The associated companies plans to sell 100,000 automobiles in domestic and overseas markets in 2004, amongst which Mybo (Beauty Leopard), sports cars to account for over 8,000 of them.

Looking forward, with the investment in the joint venture company, the Group shall be able to take advantage of the growth potential of the PRC automobile industry. In order to capitalize on the opportunity, the Group intends to focus in the operation and expansion of its automobile business. The Directors believe that, taking the advantage of great value and value for money offered by the automobile products of the Geely and Maple brands, they could achieve successful results not only in the robust domestic

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汽車產業領域積極尋求其它收購及合作機會。已建立的合營公司及可能進行的併購於未來對本集團的盈利貢獻預計亦相應增加，藉此增加股東回報。

發行股份融資

本集團於二零零三年進行了兩項補足配售交易。第一項交易於二零零三年三月十八日進行，按每股港幣 0.55 元價格配售 100,000,000 股股份，集資淨額約為港幣 53,421,000 元。第二項交易於二零零三年九月十七日進行，按每股港幣 0.7 元價格配售 680,000,000 股股份，集資淨額約為港幣 462,371,000 元。該等集資淨額乃作為吉利國潤增資及華普國潤投資之用途。

其他事項

於二零零四年一月五日，李書福先生透過其全資擁有的私人公司吉利集團有限公司（前稱智慧集團有限公司及於英屬處女群島註冊成立）向王興國先生及 Venture Link Assets Ltd 購入吉利汽車之控股股東 Proper Glory Holding Inc（「Proper Glory」）32% 股權，其後成為 Proper Glory 之最大股東之一。Proper Glory 持有吉利汽車 2,500,000,000 股股份，即吉利汽車已發行股本約 60.68%，此項收購令李書福先生間接持有吉利汽車股份約 19.42% 權益。

market of the PRC but also in the international market. The Group will actively seek for opportunity in acquisition and joint venture within the automobile industry, and contribution from already established joint ventures and future possible acquisitions to the Group's revenue is expected to increase accordingly, thereby enhance the shareholders' return of the Company.

Equity financing activities

The Group entered into two top-up placing transactions in 2003. The first transaction took place on 18 March 2003, with 100,000,000 shares being placed at HK\$0.55 per share and raised net proceeds of about HK\$53,421,000. In the second transaction dated 17 September 2003, 680,000,000 shares were placed at HK\$0.7 per share and raised net proceeds of about HK\$462,371,000. The net proceeds had been used for further capital injection into Geely Guorun and investment of Maple Guorun.

Other events

On 5 January 2004, Mr. Li Shu Fu, through his wholly-owned private company, Geely Group Limited (formerly named as Sapient Group Limited and incorporated in British Virgin Island) acquired a 32% equity interest in Proper Glory Holding Inc ("Proper Glory"), the controlling shareholder of Geely Automobile, from Mr. Wong Hing Kwok and Venture Link Assets Ltd, and consequently became one of the largest shareholders of Proper Glory. Proper Glory held 2,500,000,000 shares of Geely Automobile, representing about 60.68% of the issued share capital of Geely Automobile. As a result of the acquisition, Mr. Li Shu Fu was indirectly interested in about 19.42% of shares of Geely Automobile.

於二零零四年三月一日，本公司已通過特別決議案，將其名稱「國潤控股有限公司」易名為「吉利汽車控股有限公司」，以反映集團最近於中國汽車業作出之重大投資。

於二零零四年三月三十日，本集團根據日期為二零零二年四月二十二日之認購協議行使認沽權，以訂立一項買賣協議，按港幣5,500,000元之代價向 Fook Cheung 出售其所擁有之 Deep Treasure 全部已發行股本。

於應屆股東週年大會上將提呈一項決議案，藉增加港幣60,000,000元（分為3,000,000,000股每股面值港幣0.02元之股份，並與所有現有股份享有同等權益），將本公司之法定股本由港幣100,000,000元增加至港幣160,000,000元。

流動資金及財政資源

流動資產淨值

於二零零三年十二月三十一日，本集團約有流動資產淨值港幣14,681,000元。於二零零三年十二月三十一日，流動資產包括存貨約港幣7,358,000元、現金及銀行結餘約港幣15,823,000元及應收賬款及其他流動資產約港幣12,582,000元。流動負債包括銀行借款約港幣2,537,000元、應付賬款及其他流動負債約港幣18,545,000元。本集團賬面淨值約為港幣2,419,000元之若干樓宇已予抵押，以取得本集團所獲之銀行信貸。

On 1 March 2004, a special resolution was passed to change the Company's name from "Guorun Holdings Limited" to "Geely Automobile Holdings Limited" to signify the Group's recent major investment in the PRC automobile industry.

Pursuant to a subscription agreement on 22 April 2002, the Group exercised a put option on 30 March 2004 by entering into a sale and purchase agreement for disposal of the entire issued share capital of Deep Treasure owned by it to Fook Cheung for a consideration of HK\$5,500,000.

A resolution will be submitted to the forthcoming annual general meeting to increase the authorised capital of the Company from HK\$100,000,000 to HK\$160,000,000 by the addition thereto of HK\$60,000,000, divided into 3,000,000,000 shares of HK\$0.02 each and rank pari passu with all existing shares.

Liquidity and financial resources

Net current assets

As at 31 December 2003, the Group had net current assets of about HK\$14,681,000. As at 31 December 2003, the current assets included inventories of about HK\$7,358,000, cash and bank balance of about HK\$15,823,000 and receivables and other current assets of about HK\$12,582,000. Current liabilities included bank borrowings of about HK\$2,537,000, payables and other current liabilities of about HK\$18,545,000. Certain of the Group's buildings with net book value of about HK\$2,419,000 were pledged to secure the banking facilities granted to the Group.

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董事對財政資源之意見

本集團之財政狀況較二零零二年大有改善。於二零零三年十二月三十一日，流動比率（即流動資產／流動負債）由1.5增加至1.7。本集團的股東資金加少數股東權益由負數港幣-5,534,000元上升至正數港幣571,435,000元。

僱員之薪酬政策

於二零零三年十二月三十一日，本集團（包括聯營公司）職員總人數約2,864人。僱員的薪酬組合以個別員工之履歷及經驗為基準，管理層每年對員工的整體表現及市場情況作出薪酬檢討。本集團並參加了香港的強制性公積金計劃及中國的國家退休福利計劃。

Directors' opinions on the financial resources

Financial position of the Group had improved compared to 2002. As at 31 December 2003, the current ratio (current asset/current liabilities) increased from 1.5 to 1.7. The shareholder equity plus minority interests had changed from a negative figure, -HK\$5,534,000 to a positive figure, HK\$571,435,000.

Employees' remuneration policy

As at 31 December 2003, the total number of employees of the Group including associates was about 2,864. 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 condition. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.