

## 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2005, 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 Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

### (I) Interests and short positions in the securities of the Company

| Name of director                               | Capacity  | Number of shares<br>In the Company |                | Shareholding<br>percentage (%) |
|--|-----------|------------------------------------|----------------|--------------------------------|
|  |           | Long position                      | Short position |                                |
| Mr. Li Shu Fu ( <i>Note 1</i> )                | Corporate | 2,500,087,000                      | –              | 60.68%                         |
| Mr. Ang Siu Lun, Lawrence<br>( <i>Note 2</i> ) | Personal  | 35,000,000                         | –              | 0.85%                          |

*Notes:*

- (1) Proper Glory is a private company incorporated in the British Virgin Islands and is wholly owned by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu.
- (2) This interest relates to share options granted on 23 February 2004 by the Company to Mr. Ang Siu Lun, Lawrence. This interest is also referred to in the section headed "Directors' Right to Acquire Shares" below. 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 30 June 2005.

**(II) Interest 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 Limited                              | 50,000  | –              | 100%                        |
| Mr. Li Shu Fu    | Zhejiang Geely Automobile Company Limited        | <i>(Note 1)</i>                                 | –              | <i>(Note 1)</i>             |
| Mr. Li Shu Fu    | Shanghai Maple Guorun Automobile Company Limited | <i>(Note 2)</i>                                 | –              | <i>(Note 2)</i>             |

*Note:*

- (1) Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Geely Holding Group Company Limited (equivalent to USD44,043,401 of its registered capital). Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 72.7%-owned by Mr. Li Shu Fu.
- (2) Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Shanghai Maple Automobile Company Limited (equivalent to USD27,497,600 of its registered capital). Shanghai Maple Automobile Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 72.7%-owned by Mr. Li Shu Fu.

Save as disclosed above, as at 30 June 2005, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.

On 5 August 2005, the Company granted the share options to subscribe a total of 239,500,000 shares of the Company to the following participants under the Company's share options scheme approved and adopted on 31 May 2002 (the "Scheme"):

| Name                      | Date of grant | Exercise period     | Exercise price<br>per share<br>HK\$ | Options<br>granted |
|---------------------------|---------------|---------------------|-------------------------------------|--------------------|
| <b>Directors</b>          |               |                     |                                     |                    |
| Mr. Ang Siu Lun, Lawrence | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 10,000,000         |
| Mr. Gui Sheng Yue         | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 23,000,000         |
| Mr. Xu Gang               | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 23,000,000         |
| Mr. Yang Jian             | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 23,000,000         |
| Mr. Liu Jin Liang         | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 18,000,000         |
| Mr. Yin Da Qing, Richard  | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 16,000,000         |
| Mr. Nan Yang              | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 15,000,000         |
|                           |               |                     |                                     | 128,000,000        |
| <b>Employees</b>          | 5 August 2005 | 5.8.2005 – 4.8.2010 | 0.70                                | 111,500,000        |
|                           |               |                     |                                     | 239,500,000        |

### DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 June 2005, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's share options scheme approved and adopted on 31 May 2002 (the "Scheme"):

| Director                     | Outstanding<br>Options as at<br>30 June 2005 | Date of grant    | Exercise period                            | Exercise price<br>HK\$ |
|------------------------------|--|------------------|--|------------------------|
| Mr. Ang Siu Lun,<br>Lawrence | 35,000,000                                   | 23 February 2004 | 23 February 2004<br>to<br>22 February 2009 | 0.95                   |