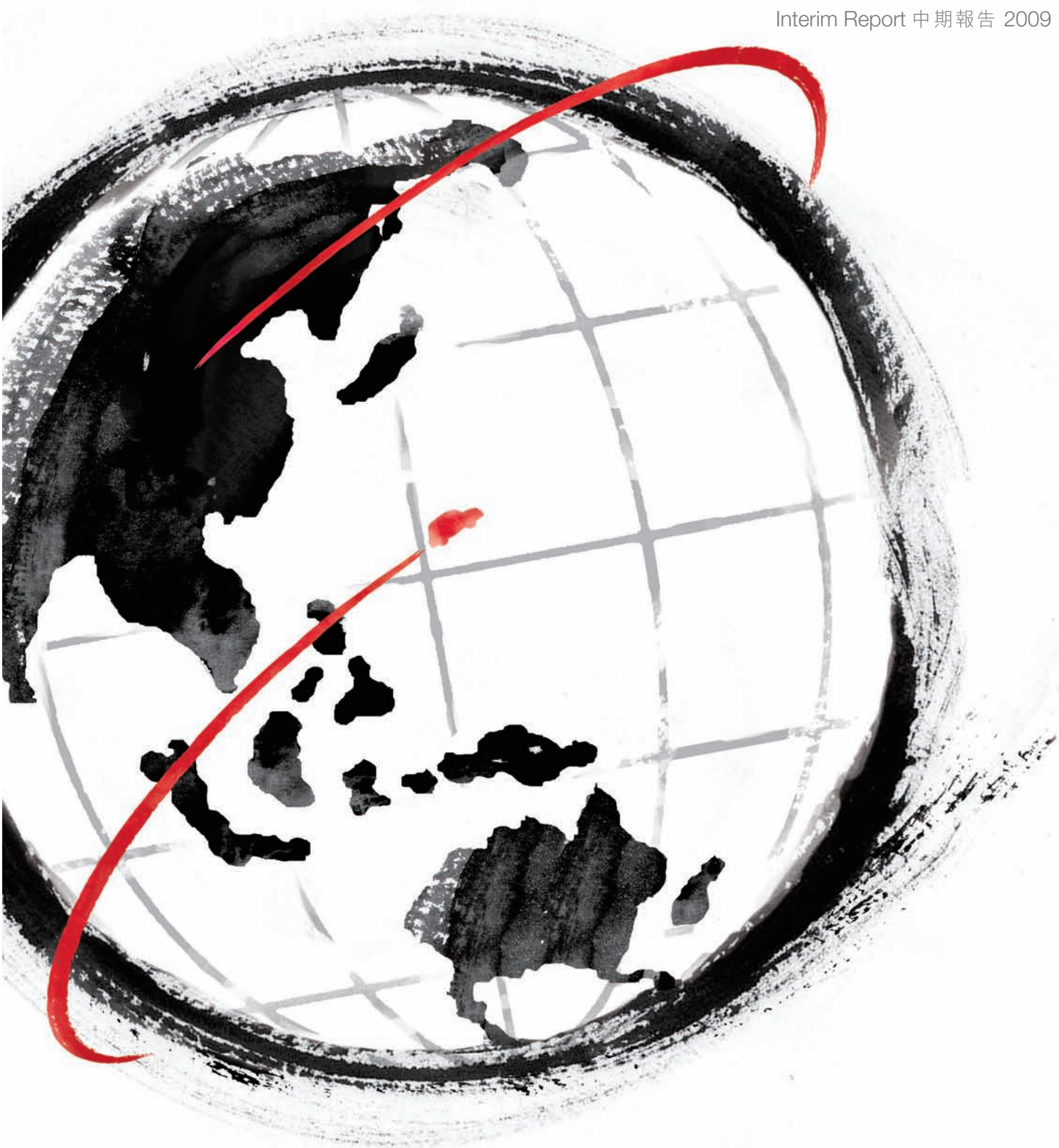


Chinese Wisdom • World Quality  
中國智慧 世界品質

Interim Report 中期報告 2009



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

(Stock Code 股份代號 : 0175)



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## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS:**

Mr. Li Shu Fu (*Chairman*)  
Mr. Yang Jian (*Vice Chairman*)  
Mr. Gui Sheng Yue (*Chief Executive Officer*)  
Mr. Ang Siu Lun, Lawrence  
Mr. Yin Da Qing, Richard  
Mr. Liu Jin Liang  
Mr. Zhao Jie  
Dr. Zhao Fuquan

### **NON-EXECUTIVE DIRECTOR:**

Mr. Xu Gang

### **INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Mr. Lee Cheuk Yin, Dannis  
Mr. Song Lin  
Mr. Yeung Sau Hung, Alex

### **AUDIT COMMITTEE:**

Mr. Lee Cheuk Yin, Dannis (*Committee's Chairman*)  
Mr. Song Lin  
Mr. Yeung Sau Hung, Alex

### **REMUNERATION COMMITTEE:**

Mr. Gui Sheng Yue (*Committee's Chairman*)  
Mr. Lee Cheuk Yin, Dannis  
Mr. Yeung Sau Hung, Alex

### **COMPANY SECRETARY:**

Mr. Cheung Chung Yan, David

### **AUDITORS:**

Grant Thornton

### **LEGAL ADVISOR ON HONG KONG LAW:**

Sidley Austin

### **LEGAL ADVISOR ON CAYMAN ISLANDS LAW:**

Maples and Calder

### **PRINCIPAL BANKERS IN HONG KONG:**

Standard Chartered Bank (Hong Kong) Limited  
The Hong Kong and Shanghai Banking Corporation Limited

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:**

Room 2301, 23rd Floor, Great Eagle Centre  
23 Harbour Road, Wanchai,  
Hong Kong  
Telephone: (852) 25983333  
Facsimile: (852) 25983399  
Email: [general@geelyauto.com.hk](mailto:general@geelyauto.com.hk)

### **REGISTERED OFFICE:**

P.O. Box 309, George Town,  
Grand Cayman, Cayman Islands,  
British West Indies

### **HONG KONG BRANCH SHARE REGISTRARS & TRANSFER OFFICE:**

Union Registrars Limited  
Rooms 1901-02  
Fook Lee Commercial Centre Town Place,  
33 Lockhart Road, Wanchai, Hong Kong.

### **INVESTOR & MEDIA RELATIONS:**

Prime International Consultants Limited

### **DESIGN & PRODUCTION:**

HeterMedia Services Limited

### **LISTING INFORMATION:**

The Stock Exchange of Hong Kong Limited  
Stock Code: 0175

### **COMPANY'S WEBSITE:**

<http://www.geelyauto.com.hk>



## INDEPENDENT REVIEW REPORT



Member of Grant Thornton International Ltd

**To the Board of Directors of  
Geely Automobile Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 24 which comprise the condensed consolidated balance sheet of Geely Automobile Holdings Limited as of 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

**Grant Thornton**  
*Certified Public Accountants*  
6th Floor, Nexus Building  
41 Connaught Road Central  
Hong Kong

8 September 2009

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Note	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Turnover/Revenue</b>		<b>5,948,690</b>	67,074
<b>Cost of sales</b>		<b>(4,819,092)</b>	(63,344)
Gross profit		<b>1,129,598</b>	3,730
Other income	4	<b>248,395</b>	8,863
Distribution and selling expenses		<b>(318,266)</b>	(1,766)
Administrative expenses		<b>(250,490)</b>	(44,078)
Finance costs	5	<b>(33,433)</b>	(6,554)
Fair value gain on embedded derivative components of convertible bonds		–	16,342
Loss on early redemption of convertible bonds	14	<b>(15,987)</b>	–
Share of results of associates	10	<b>(1,887)</b>	267,682
Gain on deemed disposal of interests in an associate	10	<b>5,245</b>	–
<b>Profit before taxation</b>		<b>763,175</b>	244,219
Taxation	6	<b>(109,038)</b>	(5,685)
<b>Profit for the period</b>	5	<b>654,137</b>	238,534
<b>Attributable to:</b>			
Equity holders of the Company		<b>595,910</b>	242,819
Minority interests		<b>58,227</b>	(4,285)
		<b>654,137</b>	238,534
<b>Earnings per share</b>			
Basic	8	<b>RMB9.00 cents</b>	RMB4.67 cents
Diluted	8	<b>RMB8.93 cents</b>	RMB4.15 cents

Note: Effective from 1 July 2008, the Company acquired additional interests of 44.19% in the PRC associated companies and therefore these PRC associated companies become subsidiaries of the Company. Therefore, the figures presented above for the current period include the line by line results of these PRC subsidiaries whereas for the comparative figures, the results were included in share of results of associates (note 10).

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>654,137</b>	238,534
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations recognised	<b>(22,754)</b>	(4,042)
<b>Total comprehensive income for the period</b>	<b>631,383</b>	234,492
<b>Attributable to:</b>		
Equity holders of the Company	<b>573,156</b>	238,777
Minority interests	<b>58,227</b>	(4,285)
	<b>631,383</b>	234,492

# CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2009

	Note	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	3,520,743	3,289,276
Intangible assets		790,162	657,155
Interest in an associate	10	31,416	42,241
Prepaid land lease payments		1,038,529	1,051,745
Deferred tax assets		6,043	–
		<b>5,386,893</b>	5,040,417
<b>Current assets</b>			
Prepaid land lease payments		26,611	26,611
Inventories	11	531,971	486,664
Trade and other receivables	12	2,453,617	1,139,136
Notes receivable	13	1,979,142	1,196,694
Amounts due from related parties		326,613	504,425
Financial assets at fair value through profit or loss		11,541	10,461
Tax recoverable		–	3,205
Pledged bank deposits		1,056,480	853,948
Bank balances and cash		1,879,564	889,408
		<b>8,265,539</b>	5,110,552
<b>Current liabilities</b>			
Trade and other payables	15	3,491,236	2,326,385
Notes payable	16	2,107,851	1,834,234
Amounts due to related parties		447,821	69,012
Taxation		111,324	57,551
Convertible bonds – embedded derivatives	14	–	12,432
Bank borrowings, secured	17	844,740	685,589
Convertible bonds	14	–	288,267
		<b>7,002,972</b>	5,273,470
<b>Net current assets (liabilities)</b>		<b>1,262,567</b>	(162,918)
<b>Total assets less current liabilities</b>		<b>6,649,460</b>	4,877,499
<b>CAPITAL AND RESERVES</b>			
Share capital	18	132,573	122,542
Reserves		5,216,845	4,075,320
Equity attributable to equity holders of the Company		5,349,418	4,197,862
Minority interests		642,846	584,619
<b>Total equity</b>		<b>5,992,264</b>	4,782,481
<b>Non-current liabilities</b>			
Long-term bank borrowings, secured	17	637,000	87,000
Deferred tax liability		20,196	8,018
		<b>657,196</b>	95,018
		<b>6,649,460</b>	4,877,499

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2009

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	108,291	1,579,886	85,064	1,226	28,566	18,821	521,991	2,343,845	203,225	2,547,070
Total comprehensive income for the period	-	-	-	-	(4,042)	-	242,819	238,777	(4,285)	234,492
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	10,000	10,000
Recognition of share based payments	-	-	-	-	-	16,477	-	16,477	-	16,477
Dividend paid	-	-	-	-	-	-	(59,500)	(59,500)	-	(59,500)
At 30 June 2008	108,291	1,579,886	85,064	1,226	24,524	35,298	705,310	2,539,599	208,940	2,748,539

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009	122,542	2,510,927	88,059	27,227	67,635	44,785	1,336,687	4,197,862	584,619	4,782,481
Total comprehensive income for the period	-	-	-	-	(22,754)	-	595,910	573,156	58,227	631,383
Transfers	-	-	-	700	-	-	(700)	-	-	-
Issue of shares	10,031	652,408	-	-	-	-	-	662,439	-	662,439
Recognition of share based payments	-	-	-	-	-	7,337	-	7,337	-	7,337
Transfer upon expiration of share options	-	-	-	-	-	(3,824)	3,824	-	-	-
Dividend paid	-	-	-	-	-	-	(91,376)	(91,376)	-	(91,376)
At 30 June 2009	132,573	3,163,335	88,059	27,927	44,881	48,298	1,844,345	5,349,418	642,846	5,992,264



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

		<b>Six months ended 30 June</b>	
	Note	<b>2009</b>	2008
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Net cash from (used in) operating activities</b>		<b>982,446</b>	(66,991)
<b>Net cash used in investing activities</b>			
Purchase of property, plant and equipment		<b>(285,355)</b>	(42,048)
Additions of intangible assets		<b>(157,523)</b>	(8,241)
Change in pledged bank deposits		<b>(202,532)</b>	–
Purchase of available-for-sale investments		–	(1,200)
Investment of additional interests in an associate		<b>(8,077)</b>	(67,981)
Acquisition of a subsidiary	23	<b>(293,696)</b>	–
Dividend received from associates		–	35,622
Interest received		<b>25,292</b>	8,426
		<b>(921,891)</b>	(75,422)
<b>Net cash from (used in) financing activities</b>			
Dividend paid	7	<b>(91,376)</b>	(59,500)
Capital contribution from a minority shareholder		–	10,000
Proceeds from the issuance of shares		<b>677,160</b>	–
Share issuance costs		<b>(14,721)</b>	–
Redemption of convertible bonds	14	<b>(322,069)</b>	–
Proceeds from borrowings		<b>962,600</b>	–
Other financing activities		<b>(281,499)</b>	(17,221)
		<b>930,095</b>	(66,721)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>990,650</b>	(209,134)
<b>Cash and cash equivalents at beginning of period</b>		<b>889,408</b>	761,684
<b>Effect of foreign exchange rate changes</b>		<b>(494)</b>	(16,679)
<b>Cash and cash equivalents at end of period,</b> represented by bank balances and cash		<b>1,879,564</b>	535,871

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

As set out in the Company’s 2008 annual financial statements, the Company changed its functional currency from Hong Kong dollar to Renminbi with effect from 1 July 2008. The comparative figures for the six months ended 30 June 2008 have also been restated to change the presentation currency to Renminbi accordingly.

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs” which term collectively includes individual HKFRSs, HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2009. The Group has applied for the first time the following new and revised HKFRSs which are relevant to and effective for Group’s financial statements for the annual financial period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 8	Operating segments
Amendments to HK (IFRIC) – Int 9 and HKAS 39	Embedded derivatives
HKFRSs (Amendments)	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group’s accounting policies as followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

### HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. Comparatives have been restated to conform with the revised standard.

### HKAS 27 Amendments – Cost of an investment in a subsidiary, jointly controlled entity or associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions is out of the investee’s pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### HKAS 27 Amendments – Cost of an investment in a subsidiary, jointly controlled entity or associate (Continued)

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

### HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The Group's internal management reporting information are not reported by segments because the Group is principally engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components. Therefore the adoption of HKFRS 8 has no effect on the presentation and disclosure of financial statements.

### Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. The adoption of the annual improvements to HKFRSs 2008 has no material impact on the Company's financial statements.

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>2</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>2</sup> Effective for annual period beginning on or after 1 July 2009

<sup>3</sup> Effective for transfers of assets from customers received on or after 1 July 2009

<sup>4</sup> Effective for annual period beginning on or after 1 January 2010

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes, including all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

The directors of the Company anticipates that the application of other new and revised standards and interpretations but not yet effective will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION

No segment information has been presented for the six months ended 30 June 2009 and 30 June 2008 as the Group is principally engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the periods. The Group uses consolidated profit before taxation as a measure of segment profit or loss. The Group's consolidated turnover represents the revenues from external customers as the Group has only one segment.

## 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>25,292</b>	8,426
Net loss on financial instruments at fair value through profit or loss that are classified as held for trading (forward foreign exchange contracts not used for hedging)	–	(600)
Unrealised gain on financial assets at fair value through profit or loss that are classified as held for trading (investments held for trading)	<b>1,080</b>	–
Rental income	<b>97</b>	–
Net claims income on defected materials purchased	<b>12,335</b>	–
Gain on disposal of scrap materials	<b>30,393</b>	458
Net exchange gain	<b>156</b>	–
Subsidy income from government	<b>149,001</b>	600
Sundry income	<b>30,041</b>	(21)
	<b>248,395</b>	8,863

## 5. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging:		
<b>Finance costs</b>		
Effective interest expense on convertible bonds	<b>5,383</b>	6,554
Interest on bank borrowings wholly repayable within five years	<b>28,050</b>	–
Total finance costs	<b>33,433</b>	6,554
<b>Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	<b>189,992</b>	12,397
Retirement benefit scheme contributions	<b>13,509</b>	1,001
Recognition of share based payments (included in administrative expenses)	<b>7,337</b>	16,477
Total staff costs	<b>210,838</b>	29,875
<b>Other items</b>		
Cost of inventories sold	<b>4,819,092</b>	63,344
Depreciation	<b>122,329</b>	1,760
Amortisation of prepaid land lease payments	<b>13,216</b>	–
Amortisation of intangible assets	<b>24,516</b>	–
Share of tax of associates (included in share of results of associates)	–	20,066

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 6. TAXATION

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax	96,860	355
Deferred taxation	12,178	5,330
	<b>109,038</b>	5,685

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.

## 7. DIVIDEND PAID

During the current period, a final dividend for the year ended 31 December 2008 of HK\$0.016 per share (2008: HK\$0.013 per share), amounting to approximately RMB91,376,000 (2008: RMB59,500,000), were paid to the shareholders of the Company.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB595,910,000 (2008: RMB242,819,000) and weighted average number of ordinary shares of 6,618,871,472 shares (2008: 5,201,083,450 shares), calculated as follows:

#### (i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	6,489,755,450	5,201,083,450
Effect of new shares issued	129,116,022	–
Weighted average number of ordinary shares at 30 June	<b>6,618,871,472</b>	5,201,083,450

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB595,910,000 (2008: RMB233,031,000) and the weighted average number of ordinary shares of 6,675,465,020 shares (2008: 5,612,951,176 shares), calculated as follows:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 8. EARNINGS PER SHARE *(Continued)*

### (b) Diluted earnings per share *(Continued)*

#### (i) Profit attributable to equity holders of the Company *(diluted)*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings for the purpose of basic earnings per share (profit attributable to equity holders)	<b>595,910</b>	242,819
After tax effect of effective interest on the liability component of convertible bonds	-	6,554
After tax effect of fair value gains on embedded derivative components of convertible bonds	-	(16,342)
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>595,910</b>	233,031

#### (ii) Weighted average number of ordinary shares *(diluted)*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>6,618,871,472</b>	5,201,083,450
Effect of deemed conversion of convertible bonds	-	365,413,793
Effect of deemed issue of shares under the Company's share option scheme	<b>56,593,548</b>	46,453,933
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,675,465,020</b>	5,612,951,176

The effect of deemed conversion of convertible bonds is anti-dilutive up to the date of redemption.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB285,355,000 (2008: RMB42,048,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 10. INTEREST IN AN ASSOCIATE

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Share of net assets	113,234	124,059
Goodwill	18,182	18,182
Impairment loss recognised	(100,000)	(100,000)
	<b>31,416</b>	42,241
Represented by:		
Cost of investments in associates		
Listed in overseas	197,787	189,710
Share of post-acquisition profits and reserves	(66,371)	(47,469)
Impairment loss recognised	(100,000)	(100,000)
	<b>31,416</b>	42,241
Fair value of listed investments	<b>16,311</b>	38,049

During the period, the Group and other parties subscribed for additional shares in the associate. Therefore, the Group's interest in the associate decreases from 22.69% to 19.97% and hence a gain on deemed disposal amounting to RMB5,245,000 was recognised. The Group retains significant influence over the associate through representation on the board.

The summarised financial information in respect of the Group's associates is set out below:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Total assets	886,910	979,941
Total liabilities	(341,186)	(433,851)
Net assets	<b>545,724</b>	546,090
Group's share of net assets of associates	<b>113,234</b>	124,059

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 10. INTEREST IN AN ASSOCIATE (Continued)

	<b>Six months ended 30 June 2009</b>	2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>414,889</b>	6,367,926
(Loss) Profit for the period attributable to equity holders of the associates	<b>(8,316)</b>	576,188
Group's share of results of associates for the period	<b>(1,887)</b>	267,682

Effective from 1 July 2008, the Company acquired additional interests of 44.19% in the PRC associated companies and therefore these PRC associated companies become subsidiaries of the Company. If the acquisition had been completed on 1 January 2008, total group revenue for the six months ended 30 June 2008 would have been approximately RMB4,409 million, and profit for the period would have been approximately RMB541 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, or is it intended to be a projection of future results.

## 11. INVENTORIES

	<b>At 30 June 2009</b>	At 31 December 2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
At costs:		
Raw materials	<b>236,189</b>	213,680
Work in progress	<b>67,345</b>	87,265
Finished goods	<b>228,437</b>	185,719
	<b>531,971</b>	486,664

## 12. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2009</b>	At 31 December 2008
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Trade receivables</b>		
Trade receivables		
– From third parties	<b>286,559</b>	263,681
– From related companies controlled by the substantial shareholder of the Company	<b>1,412,928</b>	391,839
	<b>1,699,487</b>	655,520
<b>Other receivables</b>		
Deposits, prepayments and other receivables	<b>754,130</b>	483,616
	<b>2,453,617</b>	1,139,136



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of the trade receivables at the balance sheet dates:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
0 – 60 days	1,535,971	535,295
61– 90 days	101,305	84,684
Over 90 days	62,211	35,541
	<b>1,699,487</b>	655,520

## 13. NOTES RECEIVABLE

All notes receivable are denominated in Renminbi and are primarily notes received from third parties for settlement of trade receivable balances. At 30 June 2009 and 31 December 2008, most notes receivable were guaranteed by established banks in the PRC and have maturities of six months or less from the balance sheet date.

## 14. CONVERTIBLE BONDS

Details of the terms of the convertible bonds are set out in the Company's annual report for the year ended 31 December 2008. Convertible bonds contain a liability component and the embedded derivatives (comprising a put option, a call option and conversion option), which are required to be accounted for separately. The movements of the convertible bonds for the period are set out below:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
<b>Liability component</b>		
Carrying amount brought forward	288,267	296,903
Conversion during the period/year	–	(24,742)
Accrued effective interest charges	5,383	16,106
Redeemed during the period/year	(293,650)	–
	–	288,267
<b>Fair value of embedded derivative in respect of the put option and conversion option</b>		
Carrying amount brought forward	37,770	54,508
Exchange adjustments	–	(4,542)
Changes in fair value	–	(12,196)
Eliminated upon redemption	(37,770)	–
	–	37,770
<b>Less: Fair value of embedded derivative in respect of the call option</b>		
Carrying amount brought forward	25,338	35,826
Exchange adjustments	–	(2,986)
Changes in fair value	–	(7,502)
Eliminated upon redemption	(25,338)	–
	–	25,338
	–	12,432

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 14. CONVERTIBLE BONDS (Continued)

During the period, the Company received early redemption notices from the bondholders to redeem all the outstanding bonds. Accordingly, all the outstanding bonds were redeemed on 10 April 2009 at HK\$365,988,000 (approximately RMB322,069,000). The loss on early redemption which represented the difference between the redemption amount and the total carrying amounts of liability component and embedded derivative amounting to RMB15,987,000 has been recognised in the income statement.

## 15. TRADE AND OTHER PAYABLES

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
<b>Trade payables</b>		
Trade payables		
– To third parties	1,317,923	603,723
– To related parties controlled by the substantial shareholder of the Company	1,015,602	569,099
	<b>2,333,525</b>	1,172,822
<b>Other payables</b>		
Accrued charges and other creditors	1,157,711	1,153,563
	<b>3,491,236</b>	2,326,385

The following is an aged analysis of trade payables at the balance sheet dates:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
0 – 60 days	1,921,769	1,113,253
61 – 90 days	167,858	16,419
Over 90 days	243,898	43,150
	<b>2,333,525</b>	1,172,822

## 16. NOTES PAYABLE

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
<b>Notes payable</b>		
– To third parties	–	1,759,234
– To related parties controlled by the substantial shareholder of the Company	2,107,851	75,000
	<b>2,107,851</b>	1,834,234

All notes payable have maturities of six months or less from the balance sheet dates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 17. BANK BORROWINGS

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Bank loans secured by the Group's assets	1,176,740	323,373
Bank loans guaranteed by the ultimate holding company	295,000	225,000
Other bank loans	10,000	140,000
Collateralised borrowings, secured	–	84,216
	<b>1,481,740</b>	<b>772,589</b>

At the balance sheet date, the Group's bank borrowings were repayable as follows:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
On demand or within one year	844,740	685,589
More than one year, but not exceeding two years	77,000	87,000
More than two years, but not more than five years	560,000	–
	<b>1,481,740</b>	<b>772,589</b>
Less: amounts due within one year shown under current liabilities	<b>(844,740)</b>	<b>(685,589)</b>
	<b>637,000</b>	<b>87,000</b>

## 18. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2008 and <b>30 June 2009 (Unaudited)</b>	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
Balance at 1 January 2008	5,201,083,450	108,291
Change in functional currency	–	(8,430)
Issue of shares for acquisition of subsidiaries	1,288,672,000	22,681
Balance at 31 December 2008 and at 1 January 2009	6,489,755,450	122,542
Issue of shares for cash	570,000,000	10,031
Balance at <b>30 June 2009 (Unaudited)</b>	7,059,755,450	132,573

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 18. SHARE CAPITAL *(Continued)*

During the period, the Company issued 570,000,000 ordinary shares of HK\$0.02 each at a subscription price of HK\$1.35 per share for cash to provide for additional working capital of the Group and to finance the existing and future acquisitions. These shares rank pari passu with the existing shares in all respects.

## 19. COMMITMENTS

### Capital expenditure commitments

At the balance sheet date, the Group had the following capital commitments:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Contracted for but not provided for, net of deposits paid		
– property, plant and machinery	409,493	677,203
– intangible assets	–	13,947
	<b>409,493</b>	<b>691,150</b>

### Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of office and factory premises under non-cancellable operating leases with third parties which fall due as follows:

	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Within one year	1,237	3,245
In the second to fifth year inclusive	2,600	2,600
Over five years	6,175	6,500
	<b>10,012</b>	<b>12,345</b>

Leases are negotiated and rentals are fixed for an average term of four years.

## 20. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme which is matched by the employee. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK\$20,000 per employee.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute 17% of the employee's basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the six months ended 30 June 2009, the aggregate employer's contributions made by the Group and charged to the income statement are RMB13,509,000 (2008: RMB1,001,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 21. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the terms of the scheme have been set out in the Company's annual report for the year ended 31 December 2008. Approximately 33% of the options will be automatically vested at the date of grant and the remaining 67% will be vested one year from the date of grant. Movements in number of share options during the period are as follows:

### 2009

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Expired during the period	Outstanding at 30 June
Directors	23 February 2004 to 22 February 2009	0.95	35,000,000	(35,000,000)	-
	5 August 2005 to 4 August 2010	0.70	131,000,000	-	131,000,000
	28 November 2006 to 27 November 2011	0.89	12,000,000	-	12,000,000
	10 July 2006 to 16 May 2011	0.93	3,000,000	-	3,000,000
	8 May 2008 to 7 May 2013	0.92	56,500,000	-	56,500,000
			237,500,000	(35,000,000)	202,500,000
Employees	5 August 2005 to 4 August 2010	0.70	86,600,000	-	86,600,000
	10 July 2006 to 16 May 2011	0.93	9,420,000	-	9,420,000
	28 November 2006 to 27 November 2011	0.89	3,000,000	-	3,000,000
	18 September 2007 to 17 September 2012	1.06	28,500,000	-	28,500,000
	8 May 2008 to 7 May 2013	0.92	141,900,000	-	141,900,000
	5 June 2008 to 4 June 2013	0.98	2,000,000	-	2,000,000
			508,920,000	(35,000,000)	473,920,000

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2008

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Outstanding at 30 June
<b>Directors</b>	23 February 2004 to 22 February 2009	0.95	35,000,000	–	35,000,000
	5 August 2005 to 4 August 2010	0.70	131,000,000	–	131,000,000
	28 November 2006 to 27 November 2011	0.89	12,000,000	–	12,000,000
	10 July 2006 to 16 May 2011	0.93	3,000,000	–	3,000,000
	8 May 2008 to 7 May 2013	0.92	–	56,500,000	56,500,000
			181,000,000	56,500,000	237,500,000
<b>Employees</b>	5 August 2005 to 4 August 2010	0.70	86,600,000	–	86,600,000
	10 July 2006 to 16 May 2011	0.93	9,420,000	–	9,420,000
	28 November 2006 to 27 November 2011	0.89	3,000,000	–	3,000,000
	18 September 2007 to 17 September 2012	1.06	28,500,000	–	28,500,000
	8 May 2008 to 7 May 2013	0.92	–	141,900,000	141,900,000
	5 June 2008 to 4 June 2013	0.98	–	2,000,000	2,000,000
			308,520,000	200,400,000	508,920,000

No options were exercised to subscribe for shares in the Company during the periods.

The Group recognised a total expense of RMB7,337,000 for the six months ended 30 June 2009 (2008: RMB16,477,000) in relation to share options granted by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 22. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following material transactions with related parties:

### (a) Transactions

Name of related parties	Nature of transactions	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Associates</b>			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of automobile parts and components	-	66,902
	Dividend income	-	84,993
Shanghai Maple Guorun Automobile Company Limited (上海華普潤汽車有限公司)	Dividend income	-	12,935
	Rental expense	-	2,264
Zhejiang Kingkong Automobile Company Limited (浙江金剛汽車有限公司)	Dividend income	-	78,039
	Rental expense	-	240
Zhejiang Ruhoo Automobile Company Limited (浙江陸虎汽車有限公司)	Dividend income	-	2,764
Manganese Bronze Holdings plc (英國錳銅控股有限公司)	Dividend income	-	1,239
<b>Related companies (Note)</b>			
Zhejiang Geely Merrie Automobile Company Limited (浙江吉利美日汽車有限公司)	Sales of complete knock down kits and sedan tool kits	1,391,292	-
	Sales of automobile parts and components	82,604	-
	Claims income on defected materials purchased	37,847	-
	Purchase of complete buildup unit	1,427,485	-
	Sub-contracting fee paid	250	-
	Claims paid on defected materials sold	37,860	-
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete knock down kits and sedan tool kits	694,409	-
	Sales of automobile parts and components	45,219	-
	Claims income on defected materials purchased	7,748	-
	Purchase of complete buildup unit	963,380	-
	Claims paid on defected materials sold	14,704	-
Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司)	Sales of complete knock down kits and sedan tool kits	2,534,922	-
	Sales of automobile parts and components	4,273	-
	Claims income on defected materials purchased	37,165	-
	Purchase of complete buildup unit	2,688,976	-
	Claims paid on defected materials sold	9,947	-
	Sub-contracting fee paid	18,276	-

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 22. RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>Related companies (Note)</b>			
Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司)	Claims income on defected materials purchased	68,613	–
	Purchase of automobile parts and components	2,428,327	–
	Claims paid on defected materials sold	21,834	–
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defected materials purchased	11,923	–
	Purchase of automobile parts and components	460,804	–
Hunan Geely Automobile Industry Company Limited (湖南吉利汽車工業有限公司)	Sub-contracting fee paid	111	–
Zhejiang Automotive Vocational and Technical College (Formerly known as "Zhejiang Economic Management College") (浙江汽車職業技術學院 (前稱「浙江經濟管理專修學院」))	Rental income	5,402	–
<b>Ultimate holding company</b>			
Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司)	Rental income	230	–

Note: The Group and the related companies are under the same common substantial shareholder.

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Salaries and other short-term benefits	3,444	4,009
Retirement benefits scheme contribution	37	35
Share-based payments	7,337	16,477
	<b>10,818</b>	<b>20,521</b>

The remuneration of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 23. BUSINESS COMBINATION

On 15 June 2009, the Group acquired the business of designing, developing and manufacturing automatic transmissions in Australia from an independent third party (with receivers and managers appointed). The consideration is cash of A\$47.4 million (approximately RMB226.2 million) plus adjustment on working capital determined on the completion date. Details of the acquisition have been set out in the Company's announcement dated 27 March 2009. The net assets acquired in the transaction are as follows:

	<b>Carrying amounts of the business assets before combination</b>
	RMB'000
Net assets acquired:	
Property, plant and equipment	252,307
Deferred tax assets	6,043
Trade and other receivables	43,082
Inventories	11,981
Trade and other payables	(19,717)
	<hr/> 293,696
Total consideration satisfied by:	
Cash	293,696
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid (approximately A\$54.6 million)	(293,696)
	<hr/>

The above carrying amounts of assets and liabilities of the business acquired are based on the book values of the business acquired as provided by the receivers.

The above initial accounting for the business combination was determined only provisionally because (i) the fair values to be assigned to the assets and liabilities have not yet been finalised by the valuers; and (ii) the carrying amounts of assets and liabilities and hence the consideration have been determined only provisionally because the receivers have not yet produced the final completion accounts.

The business acquired did not make any significant contribution to the revenue or profit of the Group for the period between the acquisition date/beginning period date and the balance sheet date.



## MANAGEMENT DISCUSSION & ANALYSIS

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 (collectively, the “Group”) for the six months ended 30 June 2009. These interim results have been reviewed by the Company’s audit committee, comprising solely the independent non-executive directors of the Company, one of whom chairs the committee, and the Company’s auditors, Grant Thornton.

### OVERALL PERFORMANCE

In the first half of 2009, the Group continued to deliver a strong set of results with both its sales volume and profitability reaching record highs during the period, despite challenging market conditions, especially in our major export markets. The strategic transformation implemented since mid-2007 has significantly enhanced the Group’s capabilities to deliver sustainable growth under difficult economic and market conditions. Our excellent performance since the outbreak of the global financial crisis last year has proved our ability to deliver consistent returns to our shareholders throughout the business cycle.

Despite continued difficult market condition in the Group’s major export markets, the Group’s performance in the first half of 2009 was very encouraging, helped by the strong demand for economy sedans in the China market, mainly as a result of the Chinese Government’s automobile stimulus package promulgated at the beginning of 2009. The Group sold a total of 137,758 units of vehicles in the first six months of 2009, up 29% from the same period in previous year, achieving 55% of the Group’s full year sales volume target of 250,000 units. Total revenues were up substantially by almost 88 times to RMB5,949 million

during the period mainly due to the full consolidation of the financial results of the Group’s vehicle manufacturing operations since July 2008. For the first half in last year, the Group only equity accounted for the financial results of its 46.81%-owned vehicle manufacturing operations (included in “Share of results of associates” of the Group’s consolidated income statement). The Group’s profit attributable to the equity holders was up 145% to RMB596 million in the first half of 2009, as a combined result of the higher shareholdings in vehicle manufacturing operations and the strong natural growth achieved by the Group due to higher vehicles sales volume, stable product prices and production costs.

51%-owned Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”), the Company’s joint venture with Manganese Bronze Holdings PLC (“Manganese Bronze”), started mass production and successfully launched the localized “TX4” models of London Taxies in both the China and international markets in June 2009. With little revenues during the period and being in its first year of commercial operations, Shanghai LTI recorded a net loss of RMB11.7 million in the first half of 2009, which was in line with the management’s expectations.

20%-owned Manganese Bronze reported a net loss of GBP0.73 million in the first half of 2009, mainly due to slower sales in the UK market. Manganese Bronze’s vehicle sales volume was down 11.5% to 1,035 units and its overall turnover was down 13.7% to GBP36.6 million during the period. The Group’s share of loss from Manganese Bronze amounted to RMB1.89 million in the first half of 2009.

## ACQUISITION OF DRIVETRAIN SYSTEMS INTERNATIONAL

The Group, via DSI Holdings Pty Limited (“DSIH”), its new wholly-owned subsidiary in Australia, completed the acquisitions of the key operating assets of Drivetrain Systems International PTY Ltd (“DSI”, currently in court receivership) for a total consideration of A\$54.6 million in June 2009. DSI, one of the two independent automatic transmissions manufacturers globally, is principally engaged in the design, development and manufacture of automotive transmissions, focusing on supplying automatic transmission for original equipment manufacturers like Ford Australia, Mahindra and Mahindra, SsangYong Motor and Taganrog Automobile. DSI’s Headquarters and Technology Centre are located in Springvale, Victoria of Australia and its manufacturing facilities are located in Albury, New South Wales of Australia, with a production capacity of 200,000 units per annum. DSI’s key products are four-speed and six-speed rear wheel drive automatic transmissions. In addition to new six-speed front wheel drive transmissions, which are scheduled to be launched in 2009, DSI is also developing a range of new products including high torque seven-speed and eight-speed automatic transmissions, hybrid transmissions, Dual Clutch Transmissions (“DCT”) and Continuously Variable Transmissions (“CVT”). DSI was placed under bankruptcy protection on 9 January 2009 and was subsequently in court receivership.

The acquisitions of the assets of DSI should have significantly enhanced the Group’s technological and manufacturing capabilities in the areas of automatic transmissions, which is strategically important to the Group’s core business of automobile manufacturing. The Group plans to use DSIH to supply some of the Group’s in-house requirements for automatic transmissions as well as the requirements of other automobile manufacturers. In addition to DSIH’s existing production base in Australia, the Group also plans to build up new manufacturing facilities for DSIH in China to expand DSIH’s market share in the China market and to further reduce DSIH’s production costs. The acquisitions were mainly funded by the proceeds from a share placement in May 2009.

## FINANCIAL RESOURCES

The Group’s net cash position increased further during the first half of 2009 due to strong operational cash flow during the period and a placing of new shares to institutional investors in May 2009. Total value of cash and bank balance increased from RMB1.7 billion at the end of last year to RMB2.9 billion at the end of June 2009. Total bank borrowings (excluding the bills payable) also increased from RMB1.1 billion at the end of 2008 to RMB1.5 billion at the end of June 2009, mainly due to the increase of long-term bank loans by RMB550 million as the Group made good use of the low interest rate environment to increase its long-term bank loans. Despite this, the Group’s net cash level still increased from RMB670 million at the end of 2008 to RMB1.5 billion at the end of June 2009.

At the requests by the holders of the Company’s zero coupon convertible bonds due 2011 (“convertible bonds”), the Group redeemed all its outstanding convertible bonds for a total amount of approximately HK\$366 million on 10 April 2009. All the payment was satisfied by the Group’s internal cash reserve.

To fund the Group’s acquisitions of the key operating assets of DSI and to restore the public float of the Company to meet the minimum required level by the Listing Rules, the Group issued and placed 570 million new shares to various institutional investors at a price of HK\$1.35 per share on 20 May 2009. The new subscription shares issued represent approximately 8.78% of the issued share capital of the Company prior to such placing. The net proceeds of the placing amounted to approximately HK\$750 million.

## VEHICLE MANUFACTURING (91% INTERESTS)

The Group sold a total of 137,758 units of vehicles in the first six months of 2009, up 29% from the same period last year, helped by the strong demand for key models like “Free Cruiser”, “Geely Kingkong” and “Vision” in the China market, which more than offset the 70% drop in export sales volume during the period. Exports sales accounted for only 5% of the Group’s total sales volume in the first half of 2009 compared with close to 20% in 2008.

“Free Cruiser” remained the Group’s best selling models during the first half of 2009, achieving 58% YoY increase in sales volume to 52,768 units, or 38% of the Group’s total sales volume during the period, making it one of the best selling 1.3L sedans in the China market during the period. Helped by the launch of second generation of “Geely Kingkong” model in April 2009, the sales volume of “Geely Kingkong” increased by 31% to 38,396 units in the first half of 2009. The launch of 1.5L version of “Vision” in April 2009 enabled “Vision” model to benefit from the government’s new tax incentives for passenger cars with engine size of 1.6L or below. As a result, total sales volume of “Vision” also increased by 24% to 17,328 units in the first half of 2009.

Although the bulk of the Group’s sales volume in the first half of 2009 still came from the Group’s vehicle models using the existing “Geely” and “Maple” brands, the Group has started to implement the “Multi-brand Strategy” in 2008, aiming to improve the Group’s overall brand images and to enable tailored-made services and brand positioning for different product lines within the Group. The first brand for smaller size sedans called “Global Eagle” or “GLEagle” was launched at the end of 2008. Two more new brands for larger size vehicles, the “Englon” or “The London Taxi Company” brand and the “Emgrand” brand, were also successfully launched in June and July 2009, respectively.

### *GLEagle Brand*

Although “Geely Panda”, the first model from the Group’s new small car platform and the first model marketed under the Group’s new “GLEagle” brand and distribution network, was only launched at the end of 2008, close to 10,000 units “Geely Panda” were sold in the first half of 2009, which was a respectful performance given the still limited coverage of the new GLEagle sales network and the premium pricing achieved by the model.

### *Englon/The London Taxi Company Brand*

Sales volume of “Maple” sedans manufactured by the Group’s production plant in Shanghai experienced an 11% decline to 18,847 units during the period as the Shanghai plant is undergoing a major restructuring of its product line up and brand image. Together with the Group’s 51%-owned Shanghai LTI, the Shanghai plant launched the new “Englon” brand in June 2009 through the introduction of the “TX4” London Taxi models manufactured by Shanghai LTI. The Shanghai plant’s first new models under the new “Englon” brand is a mid-size model called “SC618”. Mass production of SC618 was started in mid-2009.

### *Emgrand Brand*

The “Emgrand” brand was launched in July 2009, signifying the Group’s first entry into the B segment of China’s sedan market. The “Emgrand” brand will start with two B segment models: the “EC718” sedans and “EC718-RV” hatchback wagons, which are scheduled to be released to the market in August 2009 through 20 new 4S “Emgrand” shops in China. The “Emgrand” sales network will expand to include 80 4S stores by the end of 2009. The “Emgrand” brand symbolizes the concepts of “Luxury, Solid and Power”, demonstrating the unique characteristics of “Chinese Wisdom with World Quality”. The “Emgrand” brand will eventually cover the Group’s models in higher-end Sedans in B and C segments, Sport Utility Vehicles “SUVs”, Multi-purpose Vehicles “MPV” and higher-end Pick-up Trucks, etc.

## NEW PRODUCTS

Major new product launches by the Group in the first half of 2009 are summarized below:

1. “Geely Panda” sedans with AT (1.3L);
2. 2nd generation of “Geely Kingkong” sedans (1.5L);
3. “Englon” TX4 London Taxies (2.4L, 2.5L diesel);
4. Geely “Vision” sedans (1.5L); and
5. “Englon SC618 “Haijin” sedans (1.8L).

In the second half of 2009 the Group plans to launch the following new products:

1. “Emgrand” EC718 B segment sedans (1.8L);
2. “Emgrand” EC718-RV B segment hatchback wagon (1.8L);
3. “Emgrand” EC825 C segment sedans (2.5L); and
4. “Geely Panda” sedans MT and AT (1.0L).

In the 13th Shanghai International Automobile Industry Exhibition held in April 2009, the Group unveiled 22 brand new models under the Group’s three new brands, spanning from B and C segment sedans to SUVs and MPVs. Amongst the 22 new models displayed, at least 12 of them would be launched within the next two years, including Geely Panda’s crossover version GX313, the Group’s first SUV: GX718, a new economy car model called GC515 and its hatchback version called GC515-RV, the Group’s first luxury SUV EX825, the Group’s first large size MPV: EV825, and a smaller size MPV called GV515-V.

## EXPORTS

The Group exported a total of 6,297 units of vehicles in the first six months of 2009, down 69% from same period last year, and far below the Group’s original plans. The Group’s total export volume in the first half of 2009 accounted for only 4.6% of the Group’s total sales volume during the period, but accounted over 16% of China’s total sedan/SKD exports during the period, which fell over 70%

during the period. “Free Cruiser” was the most popular export models in terms of sales volume in the first half of 2009, accounting for 54% of the Group’s total export sales volume during the period. The sharp drop in exports sales volume in 2009 was mainly due to the substantial decrease in demand from Eastern Europe and Central America markets after the outbreak of the global financial crisis in the fourth quarter last year.

Middle East, Eastern Europe, Africa, South East Asia, and Central and South America remained the most important markets for the Group’s exports. Despite the sharp drop in the Group’s exports sales volume in the first half of 2009, the Group has implemented various measures to boost export demand, including the restructuring of the Group’s distribution channels in some of its major markets, and the speeding up of entry to a number of new markets like Cuba, Turkey and Taiwan. The Group’s exports performance has started to show sign of improvement in the second quarter of 2009. The management expects the Group’s export performance will continue to improve in the second half of 2009.

## TAXI VEHICLE MANUFACTURING

### Shanghai LTI (51% interests)

51%-owned Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”) is a production joint venture between the Group and UK-listed Manganese Bronze Holdings PLC (“MBH”). Shanghai LTI was officially established in June 2007 to achieve volume production of the iconic London Taxies at a significantly lower cost and for the production of high-end saloon cars for sales to the domestic and the World market.

Shanghai LTI started commercial production of the localized TX4 London Taxi models in the first half of 2009 and launched its three models of TX4 London taxies: the 2.4L petroleum manual, 2.5L diesel manual and 2.5L diesel automatic transmission in the China market in June 2009. The Chinese consumers have shown considerable

interests in the TX4 models with over 200 orders having been received in the China market by Shanghai LTI within the first week after launch. Manganese Bronze, the exclusive distribution agent outside Asia for TX4 models produced by Shanghai LTI, announced that it has signed Memoranda of Understanding (MOU) for a total of 8,000 vehicles over the next three years, and it has since converted MOU for nearly 3,000 vehicles into sales contracts, for sales to countries including Turkey, Greece, Bahrain, Austria, Saudi Arabia, Spain, Slovakia and Hungary. The first batch of 10 specially designed high temperature version of TX4 had been shipped by Shanghai LTI to customers in Saudi Arabia in July 2009.

With mass production only having started towards the end of June 2009, Shanghai LTI recorded a net loss of RMB11.7 million in the first half of 2009, very much in line with management's expectations. Production volume of TX4 by Shanghai LTI in 2009 should exceed 1,500 units, and should increase to 3,000 to 5,000 units per annum within the coming three years.

### **Manganese Bronze Holdings PLC (19.97% interests)**

In addition to its 48% stake in Shanghai LTI, MBH derives most of its revenues and profit from the manufacture and sales of London taxis in the UK market. MBH's performance in the first half of 2009 continued to be affected by the uncertain economic conditions in the UK and thus slow down in the sales of taxi vehicles in the UK market. As a result, total vehicle sales volume by MBH were down by 11.5% to 1,035 units and its total revenues was down 14% to GBP36.3 million in the first half of 2009, which however were broadly in line with management's expectations. During the period, the strength of Euro against GBP also negatively affected earnings given that some of the company's key components were sourced in Europe and denominated in Euro. In addition, the continued high level of discounting by taxi dealers since the second half of 2008 has also negatively affected MBH's earnings. These negative

factors, however, have been partly offset by the implementation of several cost reduction measures, including a 20% reduction in headcount through 2008 and a 10% salary abatement for all employees, and a GBP1.1 million exceptional income booked in the first half of 2009 from the claims of expenses from third parties related to the TX4 recall last year. As a result, MBH reported a net loss of GBP0.64 million in the first half of 2009. The Group's share of losses of MBH was RMB1.89 million during the period.

To fund the company's investment to expand international sales and to develop new Euro V engined London taxi, MBH placed 5.3 million new shares with new and existing shareholders, raising GBP9.4 million net of expenses in June 2009. The Group participated in the placing by subscribing for 385,000 new MBH shares at 187 pence per shares at an aggregate cost of GBP719,950. After the placing, the Group's shareholding in MBH was diluted from 22.69% to 19.97%. Given the Group's significant influence over its operations through two board seats at MBH, it will however continue to equity account for its share of the financial results of MBH in its consolidated financial statements in the future.

Although the Board of MBH believes that MBH's sales performance in the UK market should continue to be challenging in the second half of 2009 due to the current uncertain economic conditions, MBH's longer term performance and profitability should benefit substantially from the expected significant increase in international sales after mass production started at Shanghai LTI. This, coupled with lower break-even point at its UK plant after the recent implementation of cost reduction programmes and the potential cost savings from lower cost Chinese components, and the expected improvement in profitability through a recent re-organization and rationalization of the company's UK distribution network, should put MBH in a good position to meet any future UK market challenges and achieve improvement in its future profitability and cashflow.

## OUTLOOK

The Group's performance in 2009 has so far been very encouraging in terms of overall sales performance and profitability, helped by the very strong domestic demand for the Group's vehicles, especially after the implementation of the "Stimulus Package for Automobile Industry" by the Chinese government in early 2009, more than offsetting the significant slow down in the Group's export business as a result of the global financial market crisis started in late 2008. Despite the challenges, the Group has made use of the opportunities created by the current uncertain market conditions to speed up the penetration of new markets and to upgrade its manufacturing and product technologies through acquisitions. The Group had successfully completed the acquisition of the assets of DSI, one of the only two independent automatic transmissions manufacturers globally, in the first half of 2009, for an attractive low cost. The acquisitions have enhanced the Group's technological capabilities in the areas of automatic transmissions, and significantly improved the competitiveness of the Group's products.

The recent Chinese Government policies including the reduction of sales tax for smaller size cars effective in September 2008, the introduction of fuel tax in January 2009 and the promulgation of "Stimulation Package for Automobile Industry" in early 2009, should all help to promote the demand for safe, energy-efficient and environmental friendly vehicles the Group produces. We believe that the favourable policies would stay in place in the near future and should continue to boost vehicle demand in China in the remainder of the year.

Longer-term, the Group is investing considerable resources to further strengthen its export business, through continued improvement in distribution capabilities and revamping of its manufacturing arrangements in major export markets and the introduction of more tailor-made models for the exports market. This should provide the Group a cushion to any possible cyclical downturn in the

China sedan market in the future, thus enabling the Group to sustain a consistent longer-term profit growth.

In addition, the successful implementation of "Multi-brand Strategy" in the area of product marketing and "Platform Strategy" in the development of new products have helped to put the Group in a strong position to meet any new market challenges in the future.

Despite the Group's strong performance in the first half of 2009, the Group's Board of Directors, however, decided to take a more conservative stance and to maintain our full year sales target at 250,000 units, representing a growth of 22% over 2008, in view of the continued uncertainty in the global economic conditions. In the first half of 2009, the Group's had sold 137,758 units of vehicles, achieving 55% of its full year sales volume target of 250,000 units. In view of the continued strong sales momentum for Geely sedans in the China market even in the traditional low season of July and August, the Board believes that the Group is well on track to achieve its full year sales target.

In the medium to longer term, the Group will continue to upgrade and expand its production facilities to improve quality and reduce costs, to invest in product and technology innovation in order to differentiate its products from the rest of the market, and to establish strategic alliances with other internationally auto related companies and major suppliers to improve its market access to different markets all over the World and to reduce volatility of raw material and component costs, with an aim to develop the Group into an internationally competitive automobile manufacturer.

### **CAPITAL STRUCTURE AND TREASURY POLICIES**

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, shareholders' loan from the its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2009, the Group's shareholders' fund amounted to approximately RMB5,349 million (As at 31 December 2008: approximately RMB4,198 million). 570 million new shares were issued by the Group during the first six months ended 30 June 2009.

### **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 the Group's assets and liabilities are mainly denominated either in Renminbi or Hong Kong dollars.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2009, the Group's current ratio (current assets/current liabilities) was 1.18 (As at 31 December 2008: 0.97) and the gearing ratio of the Group was about 28% (As at 31 December 2008: 25%) which was calculated on the Group's total borrowings to total shareholders' equity. Total borrowings (excluding the trade and other payables) as at 30 June 2009 amounted to approximately RMB1,482 million (As at 31 December 2008: approximately RMB1,061 million) were solely the secured bank borrowings. For the bank borrowings, they were secured, interest-bearing and repaid on maturity. During the first six months ended 30 June 2009, the Company's convertible bonds were early redeemed in full. 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 2009, the total number of employees of the Group including associates was about 11,100 (As at 31 December 2008: approximately 9,945). 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. In addition, employees are eligible for share options under the share option scheme adopted by the Company.



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

As at 30 June 2009, 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 in the Company		Shareholding percentage (%)
		Long Position	Short Position	
<b>Shares</b>				
Mr. Li Shu Fu (Note 1)	Corporate	3,532,759,000	–	50.04
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	–	0.03
<b>Share options</b>				
Mr. Ang Siu Lun, Lawrence	Personal	10,000,000 (Note 2)	–	0.14
Mr. Ang Siu Lun, Lawrence	Personal	6,000,000 (Note 5)	–	0.08
Mr. Gui Sheng Yue	Personal	23,000,000 (Note 2)	–	0.33
Mr. Gui Sheng Yue	Personal	8,000,000 (Note 5)	–	0.11
Mr. Xu Gang	Personal	23,000,000 (Note 2)	–	0.33

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Yang Jian	Personal	23,000,000 (Note 2)	–	0.33
Mr. Yang Jian	Personal	8,000,000 (Note 5)	–	0.11
Mr. Liu Jin Liang	Personal	18,000,000 (Note 2)	–	0.25
Mr. Liu Jin Liang	Personal	6,000,000 (Note 5)	–	0.08
Mr. Zhao Jie	Personal	18,000,000 (Note 2)	–	0.25
Mr. Zhao Jie	Personal	6,000,000 (Note 5)	–	0.08
Mr. Yin Da Qing, Richard	Personal	16,000,000 (Note 2)	–	0.23
Mr. Yin Da Qing, Richard	Personal	7,000,000 (Note 5)	–	0.10
Dr. Zhao Fuquan	Personal	12,000,000 (Note 4)	–	0.17
Dr. Zhao Fuquan	Personal	11,000,000 (Note 5)	–	0.16
Mr. Song Lin	Personal	1,000,000 (Note 3)	–	0.01
Mr. Song Lin	Personal	1,500,000 (Note 5)	–	0.02

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 3)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,500,000 (Note 5)	–	0.02
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 3)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,500,000 (Note 5)	–	0.02

Notes:

- (1) Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold 3,532,759,000 shares, representing approximately 50.04% of the issued share capital of the Company as at 30 June 2009. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) 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 at 30 June 2009.
- (3) 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
- (4) This interest relates to share options granted on 28 November 2006 by the Company to Dr. Zhao Fuquan. The share options are exercisable at a subscription price of HK\$0.89 for each share during the period from 28 November 2006 to 27 November 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 at 30 June 2009.
- (5) This interest relates to share options granted on 8 May 2009 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$0.92 for each share during the period from 8 May 2009 to 7 May 2013. 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 at 30 June 2009.

**(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	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100%
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Merrie Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Manufacturing Automobile Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 10)	–	(Note 10)

Notes:

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| <p>(1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,532,759,000 shares, representing approximately 50.04% of the issued share capital of the Company as at 30 June 2009. Proper Glory is a company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.</p> <p>(2) Zhejiang Geely Holding Group Company Limited ("Geely Holding") is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.</p> <p>(3) Zhejiang Geely Merrie Automobile Company Limited is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.</p> <p>(4) Shanghai Maple Automobile Company Limited is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.</p> <p>(5) Zhejiang Haoqing Automobile Manufacturing Company Limited is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.</p> <p>(6) Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Geely Merrie Automobile Company Limited. Zhejiang Geely Merrie Automobile Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.</p> | <p>(7) Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 9%-owned by Shanghai Maple Automobile Company Limited. Shanghai Maple Automobile Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.</p> <p>(8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.</p> <p>(9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.</p> <p>(10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 9%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.</p> |
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Save as disclosed above, as at 30 June 2009, none of the directors, chief executives or their respective 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.

**DIRECTORS' RIGHT TO ACQUIRE SHARES**

As at 30 June 2009, the directors and the chief executives 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"):

<b>Name of Director</b>	<b>Outstanding Options as at 30 June 2009</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>
Mr. Ang Siu Lun, Lawrence	10,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Ang Siu Lun, Lawrence	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Gui Sheng Yue	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Gui Sheng Yue	8,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Xu Gang	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yang Jian	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yang Jian	8,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Liu Jin Liang	18,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Liu Jin Liang	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Zhao Jie	18,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Zhao Jie	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Yin Da Qing, Richard	16,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yin Da Qing, Richard	7,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Dr. Zhao Fuquan	12,000,000	28.11.2006	28.11.2006 – 27.11.2011	0.89
Dr. Zhao Fuquan	11,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Song Lin	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Song Lin	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Yeung Sau Hung, Alex	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Yeung Sau Hung, Alex	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Lee Cheuk Yin, Dannis	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Lee Cheuk Yin, Dannis	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92

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202,500,000

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## SHARE OPTION SCHEME

A share option scheme of the Company was approved and adopted on 31 May 2002. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to inter alia, directors and employees of the Company and its subsidiaries and other participants to subscribe for shares of the Company. Further details of the Scheme were disclosed in the Company's 2008 annual report.

Based on the Company's records as at 30 June 2009, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 271,420,000 share options were

granted by the Company to the employees of the Group and remain outstanding since its adoption.

## INTERIM DIVIDEND

At a meeting of the Board held on 8 September 2009, the Directors resolved not to pay an interim dividend to shareholders (2008: Nil).

## CONNECTED TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following material transactions with connected parties:

Connected parties	Nature of transactions	Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
<b>Associates</b>			
Zhejiang Geely Automobile Company Limited	Sales of automobile parts and components	–	66,902
	Dividend income	–	84,993
Shanghai Maple Guorun Automobile Company Limited	Dividend income	–	12,935
	Rental expense	–	2,264
Zhejiang Kingkong Automobile Company Limited	Dividend income	–	78,039
	Rental expense	–	240
Zhejiang Ruhoo Automobile Company Limited	Dividend income	–	2,764
Manganese Bronze Holdings Plc	Dividend income	–	1,239

Connected parties	Nature of transactions	Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
<b>Related companies</b> (Note)			
Zhejiang Geely Merrie Automobile Company Limited	Sales of complete knock down kits and sedan tool kits	1,391,292	–
	Sales of automobile parts and components	82,604	–
	Claims income on defected materials purchased	37,847	–
	Purchase of complete buildup unit	1,427,485	–
	Sub-contracting fee paid	250	–
	Claims paid on defected materials sold	37,860	–
Shanghai Maple Automobile Company Limited	Sales of complete knock down kits and sedan tool kits	694,409	–
	Sales of automobile parts and components	45,219	–
	Claims income on defected materials purchased	7,748	–
	Purchase of complete buildup unit	963,380	–
	Claims paid on defected materials sold	14,704	–
Zhejiang Haoqing Automobile Manufacturing Company Limited	Sales of complete knock down kits and sedan tool kits	2,534,922	–
	Sales of automobile parts and components	4,273	–
	Claims income on defected materials purchased	37,165	–
	Purchase of complete buildup unit	2,688,976	–
	Claims paid on defected materials sold	9,947	–
	Sub-contracting fee paid	18,276	–



Connected parties	Nature of transactions	Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
<b>Related companies</b> (Note)			
Zhejiang Geely Automobile Parts and Components Company Limited	Claims income on defected materials purchased	68,613	–
	Purchase of automobile parts and components	2,428,327	–
	Claims paid on defected materials sold	21,834	–
Shanghai Maple Engine Company Limited	Claims income on defected materials purchased	11,923	–
	Purchase of automobile parts and components	460,804	–
Hunan Geely Automobile Industry Company Limited	Sub-contracting fee paid	111	–
Zhejiang Automotive Vocational and Technical College (Formerly known as “Zhejiang Economic Management College”)	Rental income	5,402	–
<b>Ultimate holding company</b>			
Zhejiang Geely Holding Group Company Limited	Rental income	230	–

Note: The Group and the related companies are under the same common substantial shareholder.

## INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF OTHER PERSONS

As at 30 June 2009, the following persons (other than the directors or the chief executives of the Company) had

interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Substantial Shareholders

(as defined in the SFO)

Name	Capacity	Number of shares held		Shareholding Percentage (%)
		Long position	Short position	
Proper Glory (Note 1)	Beneficial owner	2,244,000,000	–	31.79
Geely Holding (Note 1)	Interest in controlled corporation	3,532,672,000	–	50.04
Zhejiang Geely Merrie (Note 2)	Beneficial owner	776,408,000	–	11.00
Geely Group Ltd. (Note 1)	Beneficial owner Interest in controlled corporation	87,000 2,244,000,000	– –	0.001 31.79
TOSCA	Beneficial owner	628,505,000	–	8.90
TOSCAfund Asset Management LLP	Interest in controlled corporation	628,505,000	–	8.90
TOSCA Asia	Beneficial owner	321,805,000	–	4.56
Toscafund Global Limited	Interest in controlled corporation	321,805,000	–	4.56

Notes:

- Proper Glory Holding Inc. ("Proper Glory") is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a limited

liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

2. Zhejiang Geely Merrie is a limited liability company incorporated in the PRC and is 90%-owned by Geely Holding. Geely Holding is a limited liability company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 30 June 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **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 2009.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2009.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by Officer (the "Code"). All directors of the Company have confirmed their compliance during the review period with the required standards set out in the Model Code and the Code.

## **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 2009, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

## **APPRECIATION**

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

ON BEHALF OF THE BOARD

**Li Shu Fu**  
*Chairman*

Hong Kong  
8 September 2009



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

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