

安全  
環保  
節能  
Interim Report  
2011



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

(Stock Code : 0175)



# CONTENTS

---

	<i>Page</i>
Corporate Information	2
Independent Review Report	3
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Statement of Changes in Equity (Unaudited)	7
Condensed Consolidated Cash Flow Statement	8
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	31

# 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  
Dr. Zhao Fuquan  
Ms. Wei Mei  
(Appointed on 17 January 2011)  
Mr. Li Dong Hui, Daniel  
(Appointed on 23 May 2011)

## Non-executive Director:

Mr. Wang Yang

## 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:

Ms. Wei Mei (*Committee's Chairman*)  
(Appointed as Committee's  
Chairman on 17 January 2011)  
Mr. Gui Sheng Yue  
(Resigned from Committee's  
Chairman on 17 January 2011)  
Mr. Lee Cheuk Yin, Dannis  
Mr. Yeung Sau Hung, Alex

## Company Secretary:

Mr. Cheung Chung Yan, David

## Auditors:

Grant Thornton Jingdu Tianhua

## 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  
CITIC Bank International Limited

## Head Office and Principal Place of Business:

Room 2301, 23rd Floor,  
Great Eagle Centre,  
23 Harbour Road, Wanchai,  
Hong Kong.  
Telephone: (852) 2598 3333  
Facsimile: (852) 2598 3399  
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  
18/F., 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



Grant Thornton

京都天华

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 30 which comprise the condensed consolidated balance sheet of Geely Automobile Holdings Limited as of 30 June 2011 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 Jingdu Tianhua**

*Certified Public Accountants*

20th Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

22 August 2011

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Turnover/Revenue</b>		<b>10,537,962</b>	9,235,733
<b>Cost of sales</b>		<b>(8,703,617)</b>	(7,487,314)
Gross profit		<b>1,834,345</b>	1,748,419
Other income	4	<b>628,471</b>	583,097
Distribution and selling expenses		<b>(591,662)</b>	(493,062)
Administrative expenses		<b>(453,855)</b>	(448,383)
Share-based payments		<b>(78,302)</b>	(162,390)
Finance costs	5	<b>(100,841)</b>	(116,354)
Share of results of associates	11	<b>(1,233)</b>	(7,302)
<b>Profit before taxation</b>		<b>1,236,923</b>	1,104,025
Taxation	6	<b>(206,029)</b>	(192,052)
<b>Profit for the period</b>	5	<b>1,030,894</b>	911,973
<b>Attributable to:</b>			
Equity holders of the Company		<b>937,648</b>	804,848
Non-controlling interests		<b>93,246</b>	107,125
		<b>1,030,894</b>	911,973
<b>Earnings per share</b>			
Basic	8	<b>RMB12.59 cents</b>	RMB10.99 cents
Diluted	8	<b>RMB11.48 cents</b>	RMB9.96 cents

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Profit for the period</b>	<b>1,030,894</b>	911,973
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations recognised	<b>11,909</b>	(26,964)
<b>Total comprehensive income for the period</b>	<b>1,042,803</b>	885,009
<b>Attributable to:</b>		
Equity holders of the Company	<b>949,557</b>	777,884
Non-controlling interests	<b>93,246</b>	107,125
	<b>1,042,803</b>	885,009

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited) (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	9	6,380,064	5,467,494
Intangible assets	10	1,864,070	1,448,593
Goodwill		6,222	6,222
Interests in associates	11	40,380	–
Prepaid land lease payments		1,541,308	1,367,701
		<b>9,832,044</b>	8,290,010
<b>Current assets</b>			
Prepaid land lease payments		38,077	33,782
Inventories	12	1,325,600	986,595
Trade and other receivables	13	8,217,689	9,912,961
Financial assets at fair value through profit or loss		12,162	12,947
Available-for-sale financial assets		–	100,000
Tax recoverable		1,062	2,391
Pledged bank deposits		308,188	242,582
Bank balances and cash		4,442,608	4,393,075
		<b>14,345,386</b>	15,684,333
<b>Current liabilities</b>			
Trade and other payables	15	9,508,921	10,508,069
Taxation		152,020	173,591
Bank borrowings, secured	16	2,153,682	1,096,669
		<b>11,814,623</b>	11,778,329
<b>Net current assets</b>		<b>2,530,763</b>	3,906,004
<b>Total assets less current liabilities</b>		<b>12,362,807</b>	12,196,014
<b>CAPITAL AND RESERVES</b>			
Share capital	17	139,497	139,279
Reserves		8,750,185	7,882,603
Equity attributable to equity holders of the Company		8,889,682	8,021,882
Non-controlling interests		1,149,041	1,055,795
<b>Total equity</b>		<b>10,038,723</b>	9,077,677
<b>Non-current liabilities</b>			
Convertible bonds	14	1,504,495	1,483,012
Long-term bank borrowings, secured	16	730,028	1,562,312
Deferred taxation		89,561	73,013
		<b>2,324,084</b>	3,118,337
		<b>12,362,807</b>	12,196,014



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	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	Convertible bond and warrant reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	136,993	3,334,306	88,059	21,134	89,211	31,007	232,864	2,442,039	6,375,613	720,907	7,096,520
Profit for the period	-	-	-	-	-	-	-	804,848	804,848	107,125	911,973
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	(26,964)	-	-	-	(26,964)	-	(26,964)
Total comprehensive income for the period	-	-	-	-	(26,964)	-	-	804,848	777,884	107,125	885,009
Transactions with owners:											
Utilisation of reserve	-	-	-	(3,333)	-	-	-	3,333	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	153,612	153,612
Shares issued under share option scheme	859	46,063	-	-	-	(7,568)	-	-	39,354	-	39,354
Recognition of share-based payments	-	-	-	-	-	162,390	-	-	162,390	-	162,390
Transfer upon forfeiture of share options	-	-	-	-	-	(36)	-	36	-	-	-
Dividend paid	-	-	-	-	-	-	-	(148,352)	(148,352)	-	(148,352)
Total transactions with owners	859	46,063	-	(3,333)	-	154,786	-	(144,983)	53,392	153,612	207,004
At 30 June 2010	137,852	3,380,369	88,059	17,801	62,247	185,793	232,864	3,101,904	7,206,889	981,644	8,188,533

	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	Convertible bond and warrant reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	139,279	3,459,019	88,059	17,614	135,698	283,534	232,864	3,665,815	8,021,882	1,055,795	9,077,677
Profit for the period	-	-	-	-	-	-	-	937,648	937,648	93,246	1,030,894
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	11,909	-	-	-	11,909	-	11,909
Total comprehensive income for the period	-	-	-	-	11,909	-	-	937,648	949,557	93,246	1,042,803
Transactions with owners:											
Utilisation of reserve	-	-	-	(213)	-	-	-	213	-	-	-
Shares issued under share option scheme	218	12,094	-	-	-	(1,955)	-	-	10,357	-	10,357
Recognition of share-based payments	-	-	-	-	-	78,302	-	-	78,302	-	78,302
Transfer upon forfeiture of share options	-	-	-	-	-	(165)	-	165	-	-	-
Dividend paid	-	-	-	-	-	-	-	(170,416)	(170,416)	-	(170,416)
Total transactions with owners	218	12,094	-	(213)	-	76,182	-	(170,038)	(81,757)	-	(81,757)
At 30 June 2011	139,497	3,471,113	88,059	17,401	147,607	359,716	232,864	4,433,425	8,889,682	1,149,041	10,038,723

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax		1,236,923	1,104,025
Adjustments for non-cash items		504,879	541,652
Operating profit before working capital changes		1,741,802	1,645,677
Net changes in working capital		(197,392)	(82,582)
Cash from operations		1,544,410	1,563,095
Income taxes paid		(209,856)	(93,102)
<b>Net cash from operating activities</b>		<b>1,334,554</b>	<b>1,469,993</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(604,466)	(338,445)
Addition of intangible assets		(337,971)	(236,346)
Addition of prepaid land leases payments		(5,022)	(14,020)
Proceeds from disposal of property, plant and equipment		20,463	100,914
Proceeds from disposal of intangible assets		6,127	–
Proceeds from disposal of prepaid land leases payments		6,174	–
Change in pledged bank deposits		(65,606)	70,534
Acquisition of a subsidiary		–	(134,447)
Acquisition of assets and liabilities through acquisition of subsidiaries	23	(398,023)	–
Investments in associates		(41,613)	–
Proceeds from disposal of available-for-sale financial assets		100,195	–
Interest received		20,775	19,664
<b>Net cash used in investing activities</b>		<b>(1,298,967)</b>	<b>(532,146)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	7	(170,416)	(148,352)
Capital contribution from non-controlling shareholders		–	153,612
Proceeds from issuance of shares upon exercise of the share options		10,357	39,354
Proceeds from borrowings		561,045	907,000
Repayment of borrowings		(336,186)	(531,638)
Other financing activities		(54,524)	(369,661)
<b>Net cash from financing activities</b>		<b>10,276</b>	<b>50,315</b>
<b>Net increase in cash and cash equivalents</b>		<b>45,863</b>	<b>988,162</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>4,393,075</b>	<b>4,498,155</b>
<b>Effect of foreign exchange rate changes</b>		<b>3,670</b>	<b>(4,139)</b>
<b>Cash and cash equivalents at end of period, represented by</b>			
Bank balances and cash		4,442,608	5,482,178

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 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”).

The condensed interim financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The condensed consolidated interim financial statements have not been audited.

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

## 2. Changes in Accounting Policies

### (a) Adoption of new/revised HKFRSs

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 2011. 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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Other than stated below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### *Amendments to HKAS 34 Interim Financial Reporting*

The amendment clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group’s circumstances since the 2010 annual financial statements. The Group’s interim financial statements for the six months ended 30 June 2011 reflect these amended disclosure requirements, where applicable.

### (b) Change in accounting policy

During the period, the Group changes its accounting policy for the government grants. Government grants related to assets are now deducted from the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset by reducing the depreciation expense. Before the change in accounting policy, the government grants related to assets are included in non-current liabilities as deferred government grants and are recognised as subsidy income (included in other income) over the useful life of the assets in the consolidated income statement.

Management believes that the new classification of deferred government grants gives a more relevant presentation of the results and financial position of the Group for the periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 2. Changes in Accounting Policies (Continued)

### (b) Change in accounting policy (Continued)

The change in accounting policy has been accounted for retrospectively and the condensed consolidated financial statements have been restated. The effect on the condensed consolidated financial statements is as follows:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Decrease in property, plant and equipment	311,776	329,256
Decrease in trade and other payables	34,959	34,959
Decrease in deferred government grants	276,817	294,297
	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Decrease in other income	17,480	–
Decrease in depreciation expenses	17,480	–

### (c) Effects of application of HKFRSs not yet effective

The Group has not early applied the following new/revised standards, amendments or interpretations relevant to the Group's operations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 27 (Amendments)	Separate Financial Statements (2011) <sup>3</sup>
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures (2011) <sup>3</sup>
HKFRS 7 (Amendments)	Disclosures - Transfer of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

#### *HKAS 27 (Amendments) – Separate Financial Statements (2011)*

The requirements relating to separate financial statements are unchanged and are included in the amended HKAS 27. The other portions of HKAS 27 are replaced by HKFRS 10.

#### *HKAS 28 (Amendments) – Investments in Associates and Joint Ventures (2011)*

HKAS 28 is amended for conforming changes based on the issuance of HKFRS 10, HKFRS 11 and HKFRS 12.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 2. Changes in Accounting Policies *(Continued)*

### (c) Effects of application of HKFRSs not yet effective *(Continued)*

#### *HKFRS 9 Financial Instruments*

Under HKFRS 9, all recognised financial assets that are within the scope of the HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically under HKFRS 9, for all financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

#### *HKFRS 10 Consolidated Financial Statements*

HKFRS 10 replaces the consolidation guidance in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) - Int12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under HKFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

#### *HKFRS 13 Fair Value Measurement*

HKFRS 13 applies when another HKFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for certain exemptions. HKFRS 13 requires the disclosures of fair values through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue 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 2011

## 3. Segment Information

The Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Automobiles and related parts and components: Manufacture and sale of automobiles, automobile parts and related automobile components (excluding gearboxes).

Gearboxes: Manufacture and sale of gearboxes.

The accounting policies of the reportable segment are the same as the Group's accounting policies described in the Company's annual financial statements for the year ended 31 December 2010 and note 2 above. Segment profit represents the profit earned by each segment without allocation of corporate expenses, directors' emoluments, share of results of associates, interest income, interest expenses and income tax expenses. Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, deferred tax assets and other corporate assets. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments is set out below.

### For the six months ended 30 June 2011 (unaudited)

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Sales to external customers	10,122,494	415,468	–	–	10,537,962
Inter-segment	6,874	178,116	–	(184,990)	–
<b>Total segment revenue</b>	<b>10,129,368</b>	<b>593,584</b>	<b>–</b>	<b>(184,990)</b>	<b>10,537,962</b>
<b>Segment results</b>	<b>1,421,759</b>	<b>(14,327)</b>	<b>–</b>	<b>–</b>	<b>1,407,432</b>
Interest income	18,925	1,670	180	–	20,775
Finance costs	(54,302)	–	(46,539)	–	(100,841)
Corporate and other unallocated expenses	–	–	(89,210)	–	(89,210)
Share of results of associates	(1,233)	–	–	–	(1,233)
Profit before tax					1,236,923
Income tax expense					(206,029)
Profit for the period					1,030,894

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 3. Segment Information (Continued)

At 30 June 2011 (unaudited)

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
<b>Assets</b>					
Segment assets	22,782,576	1,220,873	225,588	(91,987)	24,137,050
Interests in associates	40,380	–	–	–	40,380
<b>Total</b>	<b>22,822,956</b>	<b>1,220,873</b>	<b>225,588</b>	<b>(91,987)</b>	<b>24,177,430</b>

For the six months ended 30 June 2010 (unaudited)

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Sales to external customers	8,968,740	266,993	–	–	9,235,733
Inter-segment	2,374	221,029	–	(223,403)	–
<b>Total segment revenue</b>	<b>8,971,114</b>	<b>488,022</b>	<b>–</b>	<b>(223,403)</b>	<b>9,235,733</b>
Segment results	1,362,000	20,239	–	–	1,382,239
Interest income	17,616	1,935	113	–	19,664
Finance costs	(69,854)	(1,416)	(45,084)	–	(116,354)
Corporate and other unallocated expenses	–	–	(174,222)	–	(174,222)
Share of results of an associate	(7,302)	–	–	–	(7,302)
Profit before tax					1,104,025
Income tax expense					(192,052)
<b>Profit for the period</b>					<b>911,973</b>

At 31 December 2010 (audited) (restated)

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
<b>Assets</b>					
Segment assets	22,970,467	804,156	258,712	(58,992)	23,974,343

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 4. Other Income

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Bank interest income	20,775	19,664
Gain on disposal of available-for-sale financial assets	195	–
Gain on disposal of intangible assets	222	–
Gain on disposal of property, plant and equipment	1,842	–
Gain on disposal of prepaid land leases	2,100	–
Gain on disposal of scrap materials	32,686	28,196
Net claims income on defective materials purchased	17,018	14,389
Rental income	6,019	3,853
Subsidy income from government (Note)	534,748	510,639
Sundry income	12,866	6,356
	<b>628,471</b>	<b>583,097</b>

Note: Subsidy income mainly relates to cash subsidies in respect of research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

## 5. Profit for the Period

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
<b>Finance costs</b>		
Effective interest expense on convertible bonds	46,317	44,898
Interest on bank borrowings wholly repayable within five years	54,303	71,377
Interest expenses paid to a non-controlling shareholder of a subsidiary of the Group	221	79
Total finance costs	<b>100,841</b>	116,354
<b>Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	407,691	343,408
Retirement benefit scheme contributions	36,274	26,787
Recognition of share-based payments	78,302	162,390
Total staff costs	<b>522,267</b>	532,585
<b>Other items</b>		
Cost of inventories recognised as expense (note)	8,703,617	7,487,314
Depreciation	282,032	211,942
Amortisation of prepaid land lease payments	17,049	16,804
Amortisation of intangible assets	51,530	43,829
Research and development costs	30,577	47,794
Unrealised loss on financial assets at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	785	26

Note: Cost of inventories recognised as expense included staff costs, depreciation and amortisation expenses, operating lease charges and research and development costs, which the amount is also included in the respective total amounts disclosed separately for each type of expenses.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 6. Taxation

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Current tax:		
– PRC enterprise income tax	158,061	175,016
– Other overseas tax	1,416	1,164
Under/(Over) provision in prior years	30,137	(5,154)
	<b>189,614</b>	171,026
Deferred taxation	<b>16,415</b>	21,026
	<b>206,029</b>	192,052

Hong Kong Profits Tax has not been provided for the period as the companies within the Group had no estimated assessable profits in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to an exemption from PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The income tax provision is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practises in respect thereof.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. Dividend Paid

During the current period, a final dividend for the year ended 31 December 2010 of HK\$0.026 per share (2010: HK\$0.023 per share), amounting to approximately RMB170,416,000 (2010: RMB148,352,000), 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 RMB937,648,000 (2010: RMB804,848,000) and weighted average number of ordinary shares of 7,445,302,190 shares (2010: 7,324,626,721 shares), calculated as follows:

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Issued ordinary shares at 1 January	7,440,755,450	7,310,855,450
Effect of shares issued upon exercise of share options	4,546,740	13,771,271
Weighted average number of ordinary shares at 30 June	<b>7,445,302,190</b>	7,324,626,721

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 8. Earnings Per Share (Continued)

### (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 RMB983,965,000 (2010: RMB849,746,000) and the weighted average number of ordinary shares of 8,573,189,187 shares (2010: 8,530,697,833 shares), calculated as follows:

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

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Earnings for the purpose of basic earnings per share (profit attributable to equity holders)	937,648	804,848
After tax effect of effective interest on the liability component of convertible bonds	46,317	44,898
<b>Earnings for the purpose of diluted earnings per share</b>	<b>983,965</b>	849,746

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,445,302,190	7,324,626,721
Effect of deemed conversion of convertible bonds	1,004,069,387	998,484,894
Effect of deemed exercise of warrants	88,025,505	101,145,065
Effect of deemed issue of shares under the Company's share option scheme	35,792,105	106,441,153
<b>Weighted average number of ordinary shares for the purpose of diluted earnings per share</b>	<b>8,573,189,187</b>	8,530,697,833

## 9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately RMB680,285,000 (2010: RMB765,268,000), excluding the amounts through acquisition of subsidiaries as set out in note 23.

## 10. Intangible Assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB316,683,000 (2010: RMB216,144,000), excluding the amounts through acquisition of subsidiaries as set out in note 23.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 11. Interests in Associates

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Share of net assets	122,198	81,818
Goodwill	18,182	18,182
Impairment loss recognised	(100,000)	(100,000)
	40,380	–
Represented by:		
Cost of investments in associates		
Unlisted	41,613	–
Listed overseas	197,788	197,788
	239,401	197,788
Share of post-acquisition losses and reserves	(99,021)	(97,788)
Impairment loss recognised	(100,000)	(100,000)
	40,380	–
Fair value of listed investments	30,142	36,714

The Group's interest in Manganese Bronze Holding plc ("MBH") is 19.97% and the Group retains significant influence over MBH through the power to nominate representations on the board. Having considered the significant drop in the market value of the shares in MBH and the projected future profitability and cash flows of MBH, the impairment made in previous year is not reversed.

During the period, the Group invested 35% and 18% equity interest in Mando (Ningbo) Automotive Parts Company Limited ("Mando") and Ningbo DIPO Traffic Facilities Company Limited ("Ningbo DIPO") amounted to RMB39,027,000 and RMB2,586,000 respectively. Both Mando and Ningbo DIPO are engaged in research, production, marketing and sales of automobile parts and related components. The Group has significant influence over Ningbo DIPO through the power to nominate representations on the board.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 11. Interests in Associates *(Continued)*

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

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
Total assets	<b>906,701</b>	751,128
Total liabilities	<b>(457,356)</b>	(405,850)
Net assets	<b>449,345</b>	345,278
Group's share of net assets of associates	<b>122,198</b>	81,818
	<b>Six months ended 30 June 2011 RMB'000 (Unaudited)</b>	<b>2010 RMB'000 (Unaudited)</b>
Revenue	<b>400,568</b>	339,604
Loss for the period attributable to equity holders of associates	<b>(12,889)</b>	(42,194)
Group's share of results of associates for the period	<b>(1,233)</b>	(7,302)

During the year ended 31 December 2010, the Group's interest in MBH has been reduced to zero. Hence, the subsequent loss incurred by MBH has not been recognised by the Group during the period ended 30 June 2011.

## 12. Inventories

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
At costs:		
Raw materials	<b>615,047</b>	487,777
Work in progress	<b>288,550</b>	195,721
Finished goods	<b>422,003</b>	303,097
	<b>1,325,600</b>	986,595

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 13. Trade and Other Receivables

	Note	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
<b>Trade and notes receivables</b>			
Trade receivables			
– Third parties		1,059,548	962,228
– Related companies controlled by the substantial shareholder of the Company		535,369	487,846
<hr/>			
Notes receivable	(a)	1,594,917	1,450,074
	(b)	4,314,025	6,073,987
<hr/>			
		5,908,942	7,524,061
<b>Deposits, prepayments and other receivables</b>			
Prepayment to suppliers			
– Third parties		130,467	214,367
– Related companies controlled by the substantial shareholder of the Company		1,086,907	1,382,045
<hr/>			
		1,217,374	1,596,412
Deposits paid for acquisition of property, plant and equipment		331,875	298,316
Utility deposits and other receivables		741,049	494,172
<hr/>			
		2,290,298	2,388,900
Amount due from an associate	(c)	18,449	–
<hr/>			
		2,308,747	2,388,900
<hr/>			
		8,217,689	9,912,961

### (a) Trade receivables

The Group allows an average credit period of 30 days to 90 days to its local PRC trade customers. The following is an aged analysis of the trade receivables of local PRC trade customers based on invoice dates at the balance sheet dates:

		At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
0 – 60 days		705,907	588,080
61 – 90 days		42,840	55,170
Over 90 days		214,482	144,354
<hr/>			
		963,229	787,604

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 13. Trade and Other Receivables *(Continued)*

### (a) Trade receivables *(Continued)*

For overseas trade customers, the Group may allow a credit period of over 1 year. The following is an aged analysis of the trade receivables of overseas trade customers based on invoice dates at the balance sheet dates:

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
0 – 60 days	<b>179,183</b>	277,491
61 – 90 days	<b>118,914</b>	47,070
91 – 365 days	<b>262,469</b>	244,848
Over 1 year	<b>71,122</b>	93,061
	<b>631,688</b>	662,470

### (b) 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 2011 and 31 December 2010, all notes receivable were guaranteed by established banks in the PRC and have maturities of six months or less from the balance sheet date.

### (c) Amount due from an associate

The amount due from an associate represents the receivable from sale of property, plant and equipment. The amount due is unsecured, interest-free and has no fixed repayment terms.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 14. Convertible Bonds

The convertible bonds ("CB2014") contain a liability component and a conversion option which is included in the equity of the Company. Details of the terms of the CB2014 are set out in the Company's annual report for the year ended 31 December 2010. Upon the payment of final dividends for the year ended 31 December 2010, the conversion price of the CB2014 was changed from RMB1.66 (equivalent to HK\$1.8894) to RMB1.651 (equivalent to HK\$1.8742) from 30 June 2011 in accordance with the provisions of CB2014.

The movements of the convertible bonds for the period/year are set out below:

	<b>At 30 June 2011</b>	<b>At 31 December 2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Liability component</b>		
Carrying amount brought forward	<b>1,488,725</b>	1,449,150
Accrued effective interest charges	<b>46,317</b>	90,941
Interest paid during the period/year	<b>-</b>	(51,366)
	<b>1,535,042</b>	1,488,725
<b>Liability component is represented by:</b>		
Convertible bonds	<b>1,504,495</b>	1,483,012
Accrued interests included in trade and other payables	<b>30,547</b>	5,713
	<b>1,535,042</b>	1,488,725

The principal amount outstanding at 30 June 2011 is RMB1,671 million (At 31 December 2010: RMB1,671 million).

CB2014 contains two components, liability and equity elements. The equity element is presented in equity as convertible bonds reserve. The effective interest rate of the liability component on initial recognition is 6.582% per annum. The redemption option of CB2014 is included as a liability component and not separately recognised. The liability component is measured at amortised cost.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 15. Trade and Other Payables

	Note	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited) (Restated)
<b>Trade and notes payables</b>			
Trade payables			
– Third parties		<b>4,895,678</b>	4,619,345
– Related parties controlled by the substantial shareholder of the Company		<b>510,454</b>	728,792
	(a)	<b>5,406,132</b>	5,348,137
Notes payable			
– Third parties		<b>708,662</b>	10,000
– Related parties controlled by the substantial shareholder of the Company		–	325,164
	(b)	<b>708,662</b>	335,164
		<b>6,114,794</b>	5,683,301
<b>Other payables</b>			
Receipts in advance from customers			
– Third parties		<b>1,280,297</b>	2,739,679
– Related parties controlled by the substantial shareholder of the Company		<b>544,037</b>	15,680
		<b>1,824,334</b>	2,755,359
Deferred income related to government grants which conditions have not yet been satisfied		<b>99,947</b>	434,110
Payables for acquisition of property, plant and equipment		<b>718,718</b>	609,340
Accrued staff salaries and benefits		<b>134,700</b>	198,787
Business and other taxes		<b>176,077</b>	205,612
Accrued charges and other creditors		<b>282,467</b>	612,347
		<b>3,236,243</b>	4,815,555
Loan from a non-controlling shareholder of a subsidiary of the Group	(c)	<b>7,884</b>	9,213
Amount due to ultimate holding company	(d)	<b>150,000</b>	–
		<b>3,394,127</b>	4,824,768
		<b>9,508,921</b>	10,508,069



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 15. Trade and Other Payables *(Continued)*

### (a) Trade payables

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

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
0 – 60 days	4,215,399	4,464,062
61 – 90 days	669,327	625,890
Over 90 days	521,406	258,185
	<b>5,406,132</b>	<b>5,348,137</b>

The trade payables do not carry interest. The average credit period on purchase of goods is 60 days.

### (b) Notes payable

At 30 June 2011 and 31 December 2010, all notes payable have maturities of less than 1 year.

### (c) Loan from a non-controlling shareholder of a subsidiary of the Group

Loan from a non-controlling shareholder of a subsidiary of the Group is unsecured, interest bearing at 2.78% - 3.16% (31 December 2010: 2.86% - 5.56%) per annum and repayable within one year.

### (d) Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

## 16. Bank Borrowings

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
Bank loans secured by the Group's assets	1,340,910	1,560,381
Bank loans guaranteed by the ultimate holding company	1,397,000	931,000
Other bank loans	145,800	167,600
	<b>2,883,710</b>	<b>2,658,981</b>

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

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
On demand or within one year	2,153,682	1,096,669
In the second year	415,028	845,417
In the third to fifth year	315,000	716,895
	<b>2,883,710</b>	<b>2,658,981</b>
Less: amounts due within one year shown under current liabilities	<b>(2,153,682)</b>	<b>(1,096,669)</b>
	<b>730,028</b>	<b>1,562,312</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 17. Share Capital

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2010 and <b>30 June 2011 (Unaudited)</b>	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2010	7,310,855,450	136,993
Shares issued under share option scheme	48,800,000	859
Balance at 30 June 2010	7,359,655,450	137,852
Shares issued under share option scheme	81,100,000	1,427
Balance at 31 December 2010 and 1 January 2011	7,440,755,450	139,279
Shares issued under share option scheme	12,390,000	218
<b>Balance at 30 June 2011 (Unaudited)</b>	<b>7,453,145,450</b>	<b>139,497</b>

During the period, options were exercised to subscribe for 12,390,000 ordinary shares in the Company at a consideration of approximately RMB10,357,000 of which approximately RMB218,000 was credited to share capital and the balance of RMB10,139,000 was credited to the share premium account. Upon exercise of share options, RMB1,955,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in the Company's 2010 annual report.

## 18. Commitments

### Capital expenditure commitments

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

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Contracted for but not provided for, net of deposits paid		
– Purchase of property, plant and equipment	705,816	1,526,709
– Purchase of intangible assets	10,650	–
– Purchase of prepaid land leases	24,208	–
– Capital contribution to associates	163,847	–
	<b>904,521</b>	1,526,709
Authorised but not contracted for		
– Purchase of property, plant and equipment	25,886	–
	<b>930,407</b>	1,526,709

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 18. Commitments *(Continued)*

### Operating lease commitments

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

	<b>At 30 June 2011 RMB'000 (Unaudited)</b>	<b>At 31 December 2010 RMB'000 (Audited)</b>
Office and factory premises		
– Within one year	4,409	6,660
– In the second to fifth year inclusive	4,080	6,174
– After five years	6,305	5,218
	<b>14,794</b>	18,052
Other assets		
– Within one year	1,691	1,544
– In the second to fifth year inclusive	2,781	2,761
	<b>4,472</b>	4,305
	<b>19,266</b>	22,357

Leases are negotiated and rentals are fixed for an average term of five (At 31 December 2010: four) years.

## 19. 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 in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiary in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

For the six months ended 30 June 2011, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement are RMB36,274,000 (2010: RMB26,787,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 20. 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 2010. For those options granted prior to 1 January 2010, 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. For those options granted after 1 January 2010, one-tenth of options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. Movements in number of share options during the period are as follows:

### 2011

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Exercised during the period	Forfeited during the period	Outstanding at 30 June	Exercise date	Weighted average share price at exercise date HK\$
<b>Directors</b>	8 May 2008 to 7 May 2013	0.92	11,000,000	-	-	11,000,000		
	18 January 2010 to 17 January 2020	4.07	71,500,000	-	-	71,500,000		
			82,500,000	-	-	82,500,000		
<b>Employees</b>	10 July 2006 to 16 May 2011	0.93	2,070,000	(1,990,000)	(80,000)	-	25 March 2011 to 4 May 2011	2.88
	18 September 2007 to 17 September 2012	1.06	7,500,000	(2,500,000)	-	5,000,000	19 May 2011 to 30 May 2011	3.11
	8 May 2008 to 7 May 2013	0.92	43,250,000	(7,900,000)	(1,000,000)	34,350,000	25 March 2011 to 30 May 2011	3.03
	18 January 2010 to 17 January 2020	4.07	428,350,000	-	(10,250,000)	418,100,000		
	21 April 2010 to 20 April 2020	4.07	15,900,000	-	-	15,900,000		
			579,570,000	(12,390,000)	(11,330,000)	555,850,000		

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 20. Share-based Payment Transactions (Continued)

2010

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June	Exercise date	Weighted average share price at exercise date HK\$
Directors	8 May 2008 to 7 May 2013	0.92	49,000,000	-	(15,500,000)	-	33,500,000	4 January 2010 to 4 June 2010	3.44
	18 January 2010 to 17 January 2020	4.07	-	76,500,000	-	-	76,500,000		
			49,000,000	76,500,000	(15,500,000)	-	110,000,000		
Employees	5 August 2005 to 4 August 2010	0.70	1,800,000	-	(800,000)	(1,000,000)	-	29 March 2010	4.03
	10 July 2006 to 16 May 2011	0.93	4,020,000	-	-	-	4,020,000		
	18 September 2007 to 17 September 2012	1.06	17,500,000	-	-	-	17,500,000		
	8 May 2008 to 7 May 2013	0.92	123,300,000	-	(32,500,000)	-	90,800,000	14 January 2010 to 25 June 2010	2.92
	18 January 2010 to 17 January 2020	4.07	-	439,300,000	-	-	439,300,000		
	21 April 2010 to 20 April 2020	4.07	-	16,900,000	-	-	16,900,000		
			195,620,000	532,700,000	(48,800,000)	(1,000,000)	678,520,000		

No share options were granted during the six months ended 30 June 2011. The Group recognised a total expense of RMB78,302,000 (2010: RMB162,390,000) as administrative expenses for the six months ended 30 June 2011 in relation to share options granted by the Company and the share-based payment expenses were presented as a separate item line on the face of condensed consolidated income statement.

## 21. Warrants

For the year ended 31 December 2009, the Company issued 299,526,900 warrants to certain investors with a subscription price of HK\$1 for all the warrants. The warrants are convertible into fully paid ordinary shares of HK\$0.02 each of the Company at an initial exercise price of RMB2.0262 (equivalent to HK\$2.3) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2010, the exercise price of the warrants were adjusted from RMB2.0148 (equivalent to HK\$2.2871) to RMB1.9986 (equivalent to HK\$2.2687) per share from 30 June 2011 in accordance with the provisions of the warrants. The warrants are exercisable in part or in whole at any time from the issue date of the warrants on 11 November 2009 to the fifth anniversary of the issuance of the warrants and are freely transferable, but in minimum tranches of 250,000 warrants. The warrants have been classified as equity instruments of the Company.

During the period, none of the warrants issued has been exercised.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 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	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Related companies (Note)</b>			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of complete knock down kits and sedan tool kits	3,499,820	3,052,021
	Sales of automobile parts and components	5,581	218,277
	Claims income on defective materials purchased	24,590	1,153
(Formerly known as "Zhejiang Geely Merrie Automobile Company Limited") (前稱「浙江吉利美日汽車有限公司」)	Purchase of complete buildup unit	3,737,263	3,209,070
	Sub-contracting fee paid	15,241	9,969
	Claims paid on defective materials sold	26,434	31,381
	Purchase of automobile parts and components	2,191	-
	Acquisition of property, plant and equipment	480	-
	Acquisition of subsidiaries	411,608	-
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete and semi knock down kits and sedan tool kits	1,169,643	1,153,021
	Sales of automobile parts and components	39,187	13,756
	Claims income on defective materials purchased	19,141	927
	Purchase of complete buildup unit	1,184,578	1,618,090
	Claims paid on defective materials sold	18,377	10,963
	Purchase of automobile parts and components	345	556
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	4,151,366	3,694,329
	Sales of automobile parts and components	982	7,934
	Claims income on defective materials purchased	49,459	107,990
	Purchase of complete buildup unit	4,310,224	3,825,618
	Claims paid on defective materials sold	49,250	57,679
	Sub-contracting fee paid	42,956	31,856
	Acquisition of a subsidiary	-	18,000
	Sale of property, plant and equipment	1,372	82,853
	Sale of intangible assets	6,083	-
	Rental income	-	310
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 defective materials purchased	23,015	62,574
	Purchase of automobile parts and components	2,747,394	4,421,211
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	6,262	14,193
	Purchase of automobile parts and components	278,508	557,569
Zhejiang Automotive Vocational and Technical College (浙江汽車職業技術學院)	Rental income	1,665	5,348

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 22. Related Party Transactions (Continued)

### (a) Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Related companies (Note)</b>			
Taizhou Geely Automobile Sales Company Limited (台州吉利汽車銷售有限公司)	Sales of complete buildup unit	41,628	14,252
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components Sale of property, plant and equipment	8,713 -	4,411 2,574
<b>Shareholder of the subsidiary</b>			
Kailun (Qufu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	221	79
<b>Associate</b>			
Mando (Ningbo) Automotive Parts Company Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components Sale of property, plant and equipment	2,528 21,540	- -
<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 Acquisition of subsidiaries Loan advances Sale of complete buildup unit	- 45,734 150,000 927	230 162,000 - -

Note: The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

### (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	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Salaries and other short-term benefits	16,230	13,431
Retirement benefits scheme contributions	617	538
Share-based payments	78,302	162,390
	<b>95,149</b>	<b>176,359</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 2011

## 23. Acquisition of Assets and Liabilities Through Acquisition of Subsidiaries

### For the six months ended 30 June 2011

On 21 January 2011, the Company entered into an agreement with Zhejiang Geely Holding Group Company Limited and its subsidiary to acquire 100% interests in Ningbo Vision Automobile Parts and Components Company Limited ("Ningbo Vision") and Shandong Geely Gearbox Company Limited ("Shandong Geely") for cash considerations of RMB437.3 million and RMB20 million respectively. There is a further capital injection of RMB80 million for Shandong Geely immediately after the completion of its acquisition. The acquisition of Ningbo Vision and Shandong Geely was completed during the period. Details of the acquisition have been set out in the Company's announcement dated 21 January 2011.

Ningbo Vision and Shandong Geely have not engaged in any operating activities, and did not have sufficient workforce and all necessary plant and equipment ready for production at the acquisition date and the acquisition was accounted for as purchases of assets and liabilities of which no goodwill was recognised.

The assets and liabilities acquired in the acquisition of Ningbo Vision and Shandong Geely at the acquisition dates are as follows:

	<b>Carrying amount</b> RMB'000
The assets and liabilities acquired:	
Property, plant and equipment	541,776
Intangible assets	155,839
Prepaid land lease payments	194,003
Trade and other receivables	41,038
Inventories	7,732
Cash and cash equivalents	59,319
Trade and other payables	(542,365)
	<hr/> 457,342
Total consideration satisfied by:	
Cash	457,342
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	457,342
Bank balances and cash acquired	(59,319)
	<hr/> 398,023

## 24. Comparative Figures

The comparative figures related to balances with related parties have been reclassified to conform with the current period's presentation.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 2011 Interim Results

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011. 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 Jingdu Tianhua.

## Overall Performance

The Group’s performance in the first half of 2011 was broadly in line with previous expectations despite uncertain macro-economic conditions in China during the period and the expiry of tax incentives for small-size vehicles at the end of 2010. The Group sold a total of 213,381 units of vehicles in the first six months of 2011, up 9% from the same period in the previous year, achieving 44% of the Group’s full year sales volume target of 480,000 units. Total revenues increased by 14% to RMB10,538 million, reflecting a steady growth in sales volume and the continued improvement in product mix during the period. The profit attributable to shareholders for the first half of 2011 was up by 17% to RMB938 million, thanks to revenue growth, lower share-based payments to employees and well-controlled administrative expenses, which more than offset lower profit margins and higher distribution and selling expenses during the period. Fully diluted earnings per share (EPS) was up 15.3% to RMB11.48 cents. Excluding non-cash expenses related to the recognition of share-based payments to employees, the adjusted profit attributable to shareholders increased by 5% to RMB1,016 million.

Performance at the Group’s 100%-owned subsidiary DSI Holdings Pty Limited (“DSIH”) continued to improve steadily in the first half of 2011. Total net profit from DSIH was up 92% to A\$0.9 million on 26% growth in revenue to A\$62 million. DSIH manufactured and sold a total of 35,011 units of automatic gearboxes to independent Original Equipment Manufacturer (OEM) customers during the period, which was in line with its budget.

The Group’s 51%-owned Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”), a joint venture with Manganese Bronze Holdings PLC (“MBH”), recorded a net loss of RMB17 million for the first half of 2011, as its sales volume remained below break-even level. Shanghai LTI manufactured and sold 490 units of TX4 London taxi vehicles in the first half of 2011, up from 176 units for the same period last year.

## Financial Resources

The Group’s financial position remained strong at the end of the first half of 2011 due to the continued good operational net cash inflow from its manufacturing operation. Total value of cash and bank balances (including pledged bank deposits) of the Group increased by 2% to RMB4.8 billion at the end of June 2011. Total bank borrowings also increased slightly from RMB2.7 billion at the end of 2010 to RMB2.9 billion at the end of June 2011, mainly due to the increase of short-term bank loans. Despite this, the Group’s net cash level (bank balances and cash + pledged bank deposits – bank borrowings – convertible bonds) was still maintained at a healthy level at RMB363 million at the end of June 2011.

## Vehicle Manufacturing (91% interests)

The Group sold a total of 213,381 units of vehicles in the first half of 2011, up 9% from the same period last year, helped by a strong demand for the “Emgrand EC7” model in the China market and a rapid increase in export sales, which more than offset the drop in the sales of older models like “Free Cruiser” and “Vision” during the period.

The Group’s domestic sales volume in the first half of 2011 was up 6% to 199,996 units, which was roughly in line with the 8% increase in the sales volume of China’s overall sedan market during the period. The Group’s market share in China’s sedan market was maintained at over 4%. Exports sales volume recovered strongly and was up 93% to 13,385 units in the first half of 2011, thanks to the strong recovery of the Group’s major export markets in developing countries. Exports sales accounted for 6.3% of the Group’s total sales volume in the period.

The demand for the “Emgrand EC7” model continued to be very strong, making the model the Group’s best-selling model in the first half of 2011, accounting for 21% of the Group’s total sales volume during the period. This was despite the major demand constraints caused by the lack of automatic transmissions (AT) versions of “Emgrand EC7” during the period. Sales volume of “Free Cruiser” and “Vision”, however, declined by 16% and 8% respectively from the same period of the previous year, ahead of the planned launches of their upgraded models in the second half of 2011. The sales of “Geely Kingkong”, “GLEagle Panda” and “Englon SC7” models were steady during the period with their sales volumes growing in line with the overall China sedan market. The demand for the two new models launched at the end of last year: “Emgrand EC8” and

## MANAGEMENT DISCUSSION AND ANALYSIS

“Englon SC5-RV” was in line with the Company’s expectations. Despite the model represents the Group’s first entry into the larger size sedan market, “Emgrand EC8” continued to receive good market response, achieving total sales volume of 7,067 units in the first half of 2011. As a result of the continued positive shift in product mix during the period, driven by the strong sales volume growth of “Emgrand EC7”, the Group’s ex-factory average sales price improved further to RMB45,020 per unit in the first half of 2011, up 1.2% from the same period of last year and up 0.5% from the full year 2010. Higher-priced models like “Vision”, “EC7”, “EC7-RV”, “SC7”, “EC8” and “TX4” accounted for 49% of the Group’s total sales volume in the first half of 2011, compared with 46% in 2010.

The Group conducts its business under three independent product lines and brands: “GLEagle”, “Emgrand” and “Englon”, all of which have their own management teams, production facilities and distribution networks. By the end of June 2011, the Group’s three independent sales networks in China comprised a total of 941 shops, including 589 exclusive franchisee stores and 352 4S stores.

### New Products

In the second half of 2011 the Group plans to launch the following new products:

- “GLEagle GC7” mid-size sedan
- “GLEagle GX7” SUV
- “Englon SC3” basic sedan
- “Englon SC7” 6AT mid-size sedan
- “Emgrand EX7” SUV

In addition, the Group has recently launched the new and upgraded models for “Free Cruiser” and plans to launch the upgraded models for “Vision” in the remaining period of the year. Both models will be marketed under the “GLEagle” brand.

### Exports

The Group exported a total of 13,385 units of vehicles in the first six months of 2011, up 93% from the same period last year, and accounted for 6.3% of the Group’s total sales volume during the period. The Group’s share of China’s total exports of sedans decreased from 9.6% in the first half of 2010 to 8.9% in the first half of 2011. Unlike the domestic market, the Group continues to market its products in the export markets under the “Geely” brand. “Geely MK” (Kingkong), “Geely LC” (Panda) and “Geely CK” (Free Cruiser) were the most popular export models in terms of sales volume in the first half of 2011, accounting for 33%, 25% and 22%, respectively, of the Group’s total export sales volume during the period. Developing countries in the Middle East, Eastern Europe and Central and South America remained the most important markets for the Group’s exports.

### DSIH (100% interests)

DSIH is principally engaged in the design, development and manufacture of automatic transmissions in Australia, supplying major international automobile original equipment manufacturers like Ssangyong Motor Company (SYMC), Mahindra & Mahindra and Ford Motor Australia (Ford). DSIH’s net profit after tax was A\$0.9 million on revenue of A\$62 million in the first half of 2011. DSIH manufactured and sold 35,011 sets of automatic gearboxes in the first six months of 2011, on track to achieve its full year sales volume target of 73,000 units in 2011, despite some delay in the launch program by one of its major customers during the period.

To expand DSIH’s sales in China and to improve the cost competitiveness of its products, DSIH has set up several 50:50 joint venture companies with other members of the Group. Its first joint venture in China, namely Hunan Jisheng International Drivetrain Systems Co., Ltd. (“Hunan Jisheng”) which was formed with Hunan Geely Automobile Components Company Limited (“Hunan Geely”), one of the Group’s 91%-owned operating subsidiaries, started official production in August 2011. The total annual production capacity of Hunan Jisheng is 100,000 units per shift. Estimated production and sales volumes for Hunan Jisheng would be approximately 6,000 sets of automatic gearboxes in 2011 and 100,000 sets of automatic gearboxes in 2012. Hunan Jisheng is currently working with a number of China-based suppliers to localize the supplies of its parts and components. In addition to the supply of automatic transmissions for the Group’s own use, Hunan Jisheng is also discussing with a number of third party car manufacturers in China for the supply of automatic transmissions to these manufacturers in a bid to speed up its scale production in China.

### Shanghai LTI (51% interests)

51%-owned Shanghai LTI is a production joint venture between the Group and MBH. Shanghai LTI was established in June 2007 to achieve volume production of the iconic London taxi (TX4) at a significantly lower cost and for the production of other high-end saloon cars for sales to the domestic and the world market. In addition, Shanghai LTI started to supply body kits and components to MBH for the assembly of a revised TX4 model range for sales in the UK market in November 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

Demand for TX4, however, has been below the original expectations due to the lack of petroleum automatic transmissions version, which is important for generating demand in markets outside Europe, and the continued difficult UK trading condition. Shanghai LTI only achieved sales of 490 units in the first half of 2011, of which 91% were exported to overseas countries. As a result, Shanghai LTI continued to operate below the break-even level and recorded a net loss of RMB17 million on revenue of RMB73 million in the first half of 2011.

The new arrangement by MBH to import body kits and parts from Shanghai LTI for assembly of TX4 London taxi in its Coventry facility started in November last year should be able to improve the utilisation of the production facilities of Shanghai LTI in the future. MBH, which sources most of the vehicles sold to the international market from Shanghai LTI, had reported strong international sales order book of over 1,300 vehicles for 2011 in its 2011 interim report. MBH's existing international sales order, if materialized, should generate significantly higher sales volume and thus improved profitability for Shanghai LTI in the remaining period of the year.

### Outlook

With the positive results of its "Strategic Transformation" in the areas of brand image, product quality, technology and innovation, the Group's overall competitiveness has strengthened significantly over the past few years, thus putting the Group in a much stronger position to meet new market challenges. With the effort spent in the past few years to further strengthen its export business, through continued improvement in distribution capabilities and revamping of its manufacturing arrangements in major export markets, the Group's export performance has showed sign of improvement so far in 2011. This should provide the Group with a cushion to buffer any possible cyclical downturn in the China sedan market in the future, thus enabling the Group to sustain longer term growth.

Although there had been better than expected recovery at our major export markets in 2011, the slackening market condition in the China's sedan market, the higher overall cost base as a result of the addition of two new plants in Jinan and Chengdu, and the higher overheads and expenses caused by the development of three new brands and their associated sales networks, have resulted in less than exciting earnings performance by the Group in the first half of 2011. Motor vehicle sales in most parts of the world market have been weakening since the beginning of the year and look set to deteriorate

further in the remainder of the year given the high level of uncertainties in most of the major economies, higher inflation and tightening monetary policies in China. All of these factors could pose significant threat to the Group's performance in the second half of 2011. As a result, the Group decided to take a more conservative stance, implementing more stringent cost control and lifting cash reserves, aiming at strengthening the Group's position to compete in a difficult market condition. Over longer-term, the Group will continue to restructure its management system, shifting its focus from product line management to brand management, from technology competence to total quality focus, and from fast growth to sustainable growth, aiming at transforming the Group into a real global automobile manufacturer which is able to compete internationally.

Although competition in both the domestic and export markets is expected to intensify further in the remainder of the year, the Group's management team decided to keep our 2011 sales volume target of 15% growth to 480,000 units unchanged, believing that the Group's sales performance should improve in the remaining period of the year, helped by the continued improvement in the Group's brand image, product and service quality, and more new product launches in the coming few months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 its parent company, Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2011, the Group's shareholders' fund amounted to approximately RMB8.9 billion (As at 31 December 2010: approximately RMB8.0 billion). Upon exercise of share options, 12.39 million new shares were issued by the Group during the first six months ended 30 June 2011.

### 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 2011, the Group's current ratio (current assets/current liabilities) was 1.21 (As at 31 December 2010: 1.33) and the gearing ratio of the Group was 49% (As at 31 December 2010: 52%) 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 2011 amounted to approximately RMB4.4 billion (As at 31 December 2010: approximately RMB4.1 billion) were mainly the Company's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and can be repaid on early redemption or maturity. For the bank borrowings, they were secured, interest-bearing and to be repaid on maturity. Should other opportunities arise requiring additional funding, the board of directors believe the Group is in a good position to obtain such financing.

### Employees' Remuneration Policy

As at 30 June 2011, the total number of employees of the Group was about 17,783 (As at 31 December 2010: approximately 17,102). Employees' remuneration packages are based on their experience and work performance. 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 2011, 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:

# MANAGEMENT DISCUSSION AND ANALYSIS

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

Name of Directors	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
<b>Shares</b>				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporation	3,751,159,000	–	50.33
Mr. Yang Jian	Personal	8,000,000	–	0.11
Mr. Gui Sheng Yue	Personal	8,000,000	–	0.11
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.06
Mr. Yin Da Qing, Richard	Personal	6,600,000	–	0.09
Mr. Liu Jin Liang	Personal	6,000,000	–	0.08
Dr. Zhao Fuquan	Personal	6,000,000	–	0.08
Mr. Yeung Sau Hung, Alex	Personal	500,000	–	0.01
<b>Share options</b>				
Mr. Yang Jian	Personal	12,000,000 (Note 3)	–	0.16
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 3)	–	0.15
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 3)	–	0.15
Mr. Yin Da Qing, Richard	Personal	11,000,000 (Note 3)	–	0.15
Mr. Liu Jin Liang	Personal	9,000,000 (Note 3)	–	0.12
Dr. Zhao Fuquan	Personal	11,000,000 (Note 2)	–	0.15
Dr. Zhao Fuquan	Personal	11,000,000 (Note 3)	–	0.15
Ms. Wei Mei	Personal	3,000,000 (Note 3)	–	0.04
Mr. Song Lin	Personal	1,000,000 (Note 3)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 3)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 3)	–	0.01

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 50.33% of the issued share capital of the Company as at 30 June 2011. 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 8 May 2008 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 2008 to 7 May 2013. The percentage of holding is calculated on the basis (i) that the share options are fully exercised; and (ii) the number of issued share capital of the Company when the share options are exercised is the same as that at 30 June 2011.
- (3) This interest relates to share options granted on 18 January 2010 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each share during the period from 18 January 2010 to 17 January 2020. The percentage of holding is calculated on the basis (i) that the share options are fully exercised; and (ii) the number of issued share capital of the Company when the share options are exercised is the same as that at 30 June 2011.

### (II) Interests and short positions in the securities of the associated corporations of the Company

Name of Directors	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 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 Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun 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)
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	(Note 11)	–	(Note 11)
Mr. Li Shu Fu	Lanzhou Geely Automobile Industries Company Limited	(Note 12)	–	(Note 12)
Mr. Li Shu Fu	Jinan Geely Automobile Company Limited	(Note 13)	–	(Note 13)

# MANAGEMENT DISCUSSION AND ANALYSIS

## Notes:

- (1) Proper Glory Holding Inc. is a private 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 private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li and his associate.
- (3) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") (formerly known as "Zhejiang Geely Merrie Automobile Company Limited") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (4) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (6) Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun") (formerly known as "Zhejiang Geely Automobile Company Limited") is incorporated in the PRC and is 9% directly owned by Zhejiang Geely. Zhejiang Geely is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
- (7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") is incorporated in the PRC and is 9% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
- (8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
- (9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
- (10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 9% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is 100%-owned by Mr. Li Shu Fu and his associate.
- (11) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (12) Lanzhou Geely Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (13) Jinan Geely Automobile Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 9% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2011, 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.

### Directors' Right to Acquire Shares

As at 30 June 2011, the directors and 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"):

Name of Directors	Outstanding Options as at 30 June 2011	Date of grant	Exercise period	Exercise price HK\$
Mr. Yang Jian	12,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Gui Sheng Yue	11,500,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Ang Siu Lun, Lawrence	11,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Yin Da Qing, Richard	11,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Dr. Zhao Fuquan	11,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Dr. Zhao Fuquan	11,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Liu Jin Liang	9,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Ms. Wei Mei	3,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Song Lin	1,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Yeung Sau Hung, Alex	1,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Lee Cheuk Yin, Dannis	1,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
	82,500,000			



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2010 annual report.

Based on the Company's records as at 30 June 2011, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 473,350,000 share options were granted by the Company to the employees and remain outstanding since its adoption.

## Interim Dividend

At a meeting of the Board held on 22 August 2011, the Directors resolved not to pay an interim dividend to shareholders of the Company (2010: Nil).

## Connected Transactions

During the period, the Group had the following material transactions with connected parties:

Connected parties	Nature of transactions	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
<b>Related companies (Note)</b>			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司) (Formerly known as "Zhejiang Geely Merrie Automobile Company Limited") (前稱「浙江吉利美日汽車有限公司」)	Sales of complete knock down kits and sedan tool kits	<b>3,499,820</b>	3,052,021
	Sales of automobile parts and components	<b>5,581</b>	218,277
	Claims income on defective materials purchased	<b>24,590</b>	1,153
	Purchase of complete buildup unit	<b>3,737,263</b>	3,209,070
	Sub-contracting fee paid	<b>15,241</b>	9,969
	Claims paid on defective materials sold	<b>26,434</b>	31,381
	Purchase of automobile parts and components	<b>2,191</b>	–
	Acquisition of property, plant and equipment	<b>480</b>	–
	Acquisition of subsidiaries	<b>411,608</b>	–
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete and semi knock down kits and sedan tool kits	<b>1,169,643</b>	1,153,021
	Sales of automobile parts and components	<b>39,187</b>	13,756
	Claims income on defective materials purchased	<b>19,141</b>	927
	Purchase of complete buildup unit	<b>1,184,578</b>	1,618,090
	Claims paid on defective materials sold	<b>18,377</b>	10,963
	Purchase of automobile parts and components	<b>345</b>	556
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	<b>4,151,366</b>	3,694,329
	Sales of automobile parts and components	<b>982</b>	7,934
	Claims income on defective materials purchased	<b>49,459</b>	107,990
	Purchase of complete buildup unit	<b>4,310,224</b>	3,825,618
	Claims paid on defective materials sold	<b>49,250</b>	57,679
	Sub-contracting fee paid	<b>42,956</b>	31,856
	Acquisition of a subsidiary	–	18,000
	Sale of property, plant and equipment	<b>1,372</b>	82,853
	Sale of intangible assets	<b>6,083</b>	–
	Rental income	–	310

## MANAGEMENT DISCUSSION AND ANALYSIS

Connected parties	Nature of transactions	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
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 defective materials purchased	23,015	62,574
	Purchase of automobile parts and components	2,747,394	4,421,211
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	6,262	14,193
	Purchase of automobile parts and components	278,508	557,569
Zhejiang Automotive Vocational and Technical College (浙江汽車職業技術學院)	Rental income	1,665	5,348
Taizhou Geely Automobile Sales Company Limited (台州吉利汽車銷售有限公司)	Sales of complete buildup unit	41,628	14,252
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	8,713	4,411
	Sale of property, plant and equipment	–	2,574
<b>Shareholder of the subsidiary</b> Kailun (Qufu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	221	79
<b>Associate</b> Mando (Ningbo) Automotive Parts Company Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components	2,528	–
	Sale of property, plant and equipment	21,540	–
<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
	Acquisition of subsidiaries	45,734	162,000
	Loan advances	150,000	–
	Sale of complete buildup unit	927	–

Note: The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interests and Short Positions in Shares and Underlying Shares of Other Persons

As at 30 June 2011, 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	2,462,400,000	–	33.04
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	–	50.33
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	10.42
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,462,400,000	–	33.04
The Goldman Sachs Group, Inc.	Interest in controlled corporation	1,297,974,003	–	17.42
Gehicle Investment Holdings (Delaware) LLC	Beneficial owner	1,144,958,578	–	15.36
Gehicle Investment Parallel Holdings	Beneficial owner	152,991,322	–	2.05

#### Notes:

1. 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 (formerly known as "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 owned by Mr. Li Shu Fu and his associate.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2011 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 2011.

### Corporate Governance

The Company has met 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 2011, except for the deviation from CG Code E.1.2 as explained below:

The CG Code E.1.2 provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other commitment in the PRC, Mr. Li Shu Fu ("Mr. Li"), the Chairman of the Board, was unable to attend physically at the annual general meeting of the Company held on 18 May 2011 in Hong Kong. Despite this, the Company had provided another communication channel via conference call for shareholders to directly discuss with Mr. Li during the annual general meeting held on 18 May 2011.

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 2011, 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  
22 August 2011