



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

(Stock Code : 0175)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian
(*Appointed as Vice Chairman on 1 July 2008*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. Ang Siu Lun, Lawrence
Mr. Yin Da Qing, Richard
Mr. Liu Jin Liang
Mr. Zhao Jie
Dr. Zhao Fuquan

NON-EXECUTIVE DIRECTOR:

Mr. Xu Gang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

AUDIT COMMITTEE:

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

REMUNERATION COMMITTEE:

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

COMPANY SECRETARY:

Mr. Cheung Chung Yan, David

QUALIFIED ACCOUNTANT:

Mr. Cheung Chung Yan, David

AUDITORS:

Grant Thornton

LEGAL ADVISOR IN HONG KONG:

Sidley Austin

LEGAL ADVISOR ON CAYMAN ISLANDS LAW:

Maples and Calder

PRINCIPAL BANKERS:

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

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REGISTERED OFFICE:

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

HONG KONG BRANCH SHARE REGISTRARS & TRANSFER OFFICE:

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

INVESTOR & MEDIA RELATIONS:

Prime International Consultants Limited

DESIGN & PRODUCTION:

HeterMedia Services Limited

LISTING INFORMATION:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

COMPANY'S WEBSITE:

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

FINANCIAL HIGHLIGHT (MAJOR PRC ASSOCIATES)

A summary of the combined results and the assets and liabilities of the Group's Major PRC Associates, namely Zhejiang Geely Automobile Company Limited, Shanghai Maple Guorun Automobile Company Limited, Zhejiang Kingkong Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited and Hunan Geely Automobile Components Company Limited is set out below:

Combined results – Major PRC Associates (Unaudited)

	For the six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Turnover	6,190,763	5,006,190
Cost of sales	(5,156,719)	(4,534,183)
Sales tax	(7,941)	(851)
Gross profit	1,026,103	471,156
Other net operating income	136,609	191,583
Distribution and selling expenses	(307,202)	(200,492)
Administration expenses	(174,458)	(126,877)
Finance costs	(32,194)	(41,146)
Profit before taxation	648,858	294,224
Taxation	(40,537)	(15,379)
Profit for the period	608,321	278,845
Attributable to:		
Equity holders of the Major PRC Associates	607,350	276,895
Minority interests	971	1,950
Profit for the period	608,321	278,845
Gross profit margin	16.6%	9.4%
Profit margin	9.8%	5.5%

FINANCIAL HIGHLIGHT (MAJOR PRC ASSOCIATES)

Combined assets and liabilities – Major PRC Associates (Unaudited)

	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
Non-current assets		
Property, plant and equipment	2,681,721	2,936,434
Intangible assets	495,334	177,457
Prepaid lease payments	1,118,500	1,069,513
Goodwill	220,260	42,544
Long-term deferred expenses	2,426	3,712
Long-term investment	1,935	1,875
	4,520,176	4,231,535
Current assets		
Inventories	964,293	646,882
Prepaid lease payments	28,147	25,967
Bills receivables	670,950	900,657
Trade and other receivables	1,017,222	559,658
Amounts due from related companies	1,786,314	1,648,901
Short-term investment	11,367	12,341
Tax recoverable	102,674	7,007
Bank balances and cash	1,583,333	985,157
	6,164,300	4,786,570
Current liabilities		
Bank borrowings	543,138	585,769
Bills payables	1,256,559	767,500
Trade and other payables	1,946,424	1,480,671
Amounts due to related companies	1,991,481	1,803,005
Taxation	–	16,473
Dividend payables	176,239	484
	5,913,841	4,653,902
Net current assets	250,459	132,668

FINANCIAL HIGHLIGHT (MAJOR PRC ASSOCIATES)

Combined assets and liabilities – Major PRC Associates (Unaudited) (Continued)

	As at 30 June 2008 HK\$'000	As at 31 December 2007 HK\$'000
Total assets less current liabilities	4,770,635	4,364,203
Capital and reserves		
Paid-up capital	3,072,806	2,999,708
Reserves	1,444,926	1,115,616
Equity attributable to equity holders of the Major PRC Associates	4,517,732	4,115,324
Minority interests	34,072	7,067
Total equity	4,551,804	4,122,391
Non-current liabilities		
Other long-term liabilities	217,355	241,812
Deferred tax liability	1,476	–
	218,831	241,812
	4,770,635	4,364,203

INDEPENDENT REVIEW REPORT



Member of Grant Thornton International Ltd

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 6 to 28 which comprise the condensed consolidated balance sheet of Geely Automobile Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

10 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover/Revenue		72,123	65,638
Cost of sales		(68,112)	(57,536)
Gross profit		4,011	8,102
Other income		9,530	9,658
Distribution and selling expenses		(1,899)	(1,781)
Administrative expenses		(47,396)	(22,082)
Finance costs	4	(7,047)	(20,804)
Fair value gain (loss) on embedded derivative components of convertible bonds		17,572	(18,629)
Share of results of associates	9	287,830	129,615
Profit before taxation		262,601	84,079
Taxation	5	(6,113)	(730)
Profit for the period	4	256,488	83,349
Attributable to:			
Equity holders of the Company		261,095	82,416
Minority interests		(4,607)	933
		256,488	83,349
Dividends	6	67,614	57,327
Earnings per share			
Basic	7	HK5.02 cents	HK1.77 cents
Diluted	7	HK4.46 cents	HK1.74 cents

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2008

	Note	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	76,327	32,246
Intangible assets		8,862	–
Interest in associates	9	2,355,080	2,125,456
		2,440,269	2,157,702
Current assets			
Inventories	10	21,368	14,498
Trade and other receivables	11	94,767	68,171
Taxation recoverable		1,159	–
Amount due from an associate		31,042	–
Dividend receivables from associates		160,400	3,560
Available-for-sale investments		1,290	–
Financial assets at fair value through profit or loss		–	4,681
Bank balances and cash		576,205	793,421
		886,231	884,331
Current liabilities			
Trade and other payables	13	46,071	38,725
Amount due to an associate		1,071	127
Taxation		–	731
Convertible bonds – embedded derivatives	12	1,888	19,460
Short-term bank borrowings (secured)		–	20,516
		49,030	79,559
Net current assets		837,201	804,772
Total assets less current liabilities		3,277,470	2,962,474
CAPITAL AND RESERVES			
Share capital	14	104,022	104,022
Reserves		2,626,607	2,337,418
Equity attributable to equity holders of the Company		2,730,629	2,441,440
Minority interests		224,789	211,760
Total equity		2,955,418	2,653,200
Non-current liabilities			
Convertible bonds	12	316,321	309,274
Deferred tax liability		5,731	–
		322,052	309,274
		3,277,470	2,962,474

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2008

	Attributable to equity holders of the Company							Minority interests	Total	
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2007	83,028	561,519	56,694	–	45,646	13,287	269,983	1,030,157	19,769	1,049,926
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	36,644	–	–	36,644	2,089	38,733
Profit for the period	–	–	–	–	–	–	82,416	82,416	933	83,349
Total recognised income for the period	–	–	–	–	36,644	–	82,416	119,060	3,022	122,082
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	4,284	4,284
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	203,732	203,732
Issue of shares	12,000	597,867	–	–	–	–	–	609,867	–	609,867
Shares issued upon conversion of convertible bonds	6,317	287,508	–	–	–	–	–	293,825	–	293,825
Recognition of share based payments	–	–	–	–	–	1,349	–	1,349	–	1,349
Dividend paid	–	–	–	–	–	–	(57,327)	(57,327)	–	(57,327)
Deemed contribution from shareholders (Note)	–	–	30,346	–	–	–	–	30,346	–	30,346
At 30 June 2007	101,345	1,446,894	87,040	–	82,290	14,636	295,072	2,027,277	230,807	2,258,084

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Continued)

for the six months ended 30 June 2008

	Attributable to equity holders of the Company							Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000			
At 1 January 2008	104,022	1,587,833	87,300	1,277	116,224	18,621	526,163	2,441,440	211,760	2,653,200
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	77,991	-	-	77,991	6,883	84,874
Profit for the period	-	-	-	-	-	-	261,095	261,095	(4,607)	256,488
Total recognised income for the period	-	-	-	-	77,991	-	261,095	339,086	2,276	341,362
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	10,753	10,753
Recognition of share based payments	-	-	-	-	-	17,717	-	17,717	-	17,717
Dividend paid	-	-	-	-	-	-	(67,614)	(67,614)	-	(67,614)
At 30 June 2008	104,022	1,587,833	87,300	1,277	194,215	36,338	719,644	2,730,629	224,789	2,955,418

Note: Deemed contribution from shareholders mainly represented difference between the consideration paid/received and the fair value of net assets acquired/disposed of by the associates of the Group from/to Zhejiang Geely Holding Group Company Limited and its subsidiaries (collectively referred to as "Zhejiang Geely Holding Group"). Zhejiang Geely Holding Group is beneficially owned by the substantial shareholder of the Company.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash used in operating activities	(72,033)	(14,780)
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(45,213)	(1,902)
Additions of intangible assets	(8,862)	–
Purchase of available-for-sale investments	(1,290)	–
Investment of additional interests in an associate	(73,098)	–
Dividend received from associates	38,303	61,231
Interest received	9,060	8,239
	(81,100)	67,568
Net cash (used in) from financing activities		
Dividend paid	(67,614)	(57,327)
Capital contribution from a minority shareholder	10,753	4,284
Net proceeds from the issuance of shares	–	609,867
Other financing activities	(18,516)	(7,648)
	(75,377)	549,176
Net (decrease) increase in cash and cash equivalents	(228,510)	601,964
Cash and cash equivalents at beginning of period	793,421	20,972
Effect of foreign exchange rate changes	11,294	85
Cash and cash equivalents at end of period, represented by bank balances and cash	576,205	623,021

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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”).

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs” which term collectively includes individual HKFRSs, HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The Group is in the process of making an assessment of the impact of these new/revised standards and interpretations to the Group’s results of operations and financial position in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

3. SEGMENT INFORMATION

Business Segments

No business segment information has been presented for the six months ended 30 June 2008 and 30 June 2007 as the directors consider that the Group is principally engaged in the manufacturing and trading of automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the periods.

Geographical Segments

The Group's activities, operations and its customers are based in the People's Republic of China (the "PRC"). Accordingly, no geographical analysis is presented.

4. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Finance costs		
Effective interest expense on convertible bonds	7,047	20,656
Interest on bank borrowings wholly repayable within one year	–	148
Total finance costs	7,047	20,804
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	13,330	8,115
Retirement benefit scheme contributions	1,076	776
Recognition of share based payments (included in administrative expenses)	17,717	1,349
Total staff costs	32,123	10,240
Other items		
Interest income	(9,060)	(8,239)
Cost of inventories sold	68,112	57,536
Depreciation	1,892	869
Share of tax of associates (included in share of results of associates)	21,576	7,197

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

5. TAXATION

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC foreign enterprise income tax	382	730
Deferred taxation	5,731	–
	6,113	730

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 PRC enterprise income tax law ("New Law") passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and are effective from 1 January 2008 (2007: 33%). In respect of tax holidays, for those enterprises which have already started their tax holidays before 2008, they are able to enjoy the remaining tax holidays until expiry whereas for those enterprises which have not yet started their tax holidays before 2008, the tax holidays will be deemed to start from 1 January 2008 and they are able to enjoy the remaining tax holidays until expiry.

Pursuant to the New Law, the Group will be liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of HK\$5,731,000 was recognised for the distributable profits of its associates in the PRC that are generated during the six months ended 30 June 2008.

6. DIVIDENDS

During the current period, a final dividend and a special dividend for the year ended 31 December 2007 of HK\$0.013 per share (2007: HK\$0.01 per share) and HK\$ nil per share (2007: HK\$0.002 per share) respectively, amounting to HK\$67,614,000 (2007: HK\$57,327,000), were paid to the shareholders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$261,095,000 (2007: HK\$82,416,000) and weighted average number of ordinary shares of 5,201,083,450 shares (2007: 4,667,546,612 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Issued ordinary shares at 1 January	5,201,083,450	4,151,388,496
Effect of new shares issued	–	447,513,812
Effect of shares issued upon conversion of convertible bonds	–	68,644,304
Weighted average number of ordinary shares at 30 June	5,201,083,450	4,667,546,612

(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 HK\$250,570,000 (2007: HK\$82,416,000) and the weighted average number of ordinary shares of 5,612,951,176 shares (2007: 4,745,191,036 shares), calculated as follows:

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

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Earnings for the purpose of basic earnings per share (profit attributable to equity holders)	261,095	82,416
After tax effect of effective interest on the liability component of convertible bonds	7,047	–
After tax effect of fair value gains on embedded derivative components of convertible bonds	(17,572)	–
Earnings for the purpose of diluted earnings per share	250,570	82,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

7. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,201,083,450	4,667,546,612
Effect of deemed conversion of convertible bonds	365,413,793	–
Effect of deemed issue of shares under the Company's share option scheme	46,453,933	77,644,424
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,612,951,176	4,745,191,036

The effect of deemed conversion of convertible bonds for the period ended 30 June 2007 has not been included in the calculation of diluted earnings per share because it is anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$45,213,000 (2007: HK\$1,902,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

9. INTEREST IN ASSOCIATES

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Share of net assets	2,336,140	2,106,516
Goodwill	18,940	18,940
	2,355,080	2,125,456
Represented by:		
Cost of investments in associates		
Unlisted	727,246	846,642
Listed in overseas	199,323	203,732
Share of post-acquisition profits and reserves	1,409,571	1,056,142
Goodwill	18,940	18,940
	2,355,080	2,125,456
Fair value of listed investments	332,916	495,378

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

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Total assets	11,899,943	10,310,038
Total liabilities	(6,583,289)	(5,402,959)
Net assets	5,316,654	4,907,079
Group's share of net assets of associates	2,336,140	2,106,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

9. INTEREST IN ASSOCIATES *(Continued)*

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	6,847,232	5,006,190
Profit for the period attributable to equity holders of the associates	619,557	276,895
Group's share of results of associates for the period	287,830	129,615

10. INVENTORIES

	30 June 2008	31 December 2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At costs:		
Raw materials	13,993	9,127
Work in progress	1,217	1,147
Finished goods	6,158	4,224
	21,368	14,498

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

11. TRADE AND OTHER RECEIVABLES

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Trade and notes receivables		
Trade receivables from an associate	56,988	18,310
Notes receivables	22,189	43,397
	79,177	61,707
Other receivables		
Deposits, prepayments and other receivables	15,590	6,464
	94,767	68,171

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

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
0 – 60 days	26,543	18,310
61– 90 days	16,176	–
Over 90 days	14,269	–
	56,988	18,310

12. CONVERTIBLE BONDS

Details of the terms of the convertible bonds are set out in the Company's annual report for the year ended 31 December 2007. Convertible bonds contain a liability component and the embedded derivatives (comprising a put option, a call option and conversion option), which are required to be accounted for separately. The movements of the convertible bonds for the period are set out below:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

12. CONVERTIBLE BONDS (Continued)

	Six months ended 30 June 2008 HK\$'000 (Unaudited)	Year ended 31 December 2007 HK\$'000 (Audited)
Liability component		
Carrying amount brought forward	309,274	682,838
Conversion during the period/year	–	(408,667)
Accrued effective interest charges	7,047	35,103
	316,321	309,274
Fair value of embedded derivative in respect of the put option and conversion option		
Carrying amount brought forward	56,779	169,782
Conversion during the period/year	–	(90,658)
Changes in fair value	(23,001)	(22,345)
	33,778	56,779
Less: Fair value of embedded derivative in respect of the call option		
Carrying amount brought forward	37,319	115,894
Conversion during the period/year	–	(61,884)
Changes in fair value	(5,429)	(16,691)
	31,890	37,319
	1,888	19,460

No convertible bond was converted during the period (year ended 31 December 2007: HK\$396.0 million) and the principal amount outstanding at 30 June 2008 is HK\$317.9 million (31 December 2007: HK\$317.9 million).

The derivatives embedded in the convertible bonds are measured at fair value at 30 June 2008 by an independent professional valuer, BMI Appraisals Limited using the Black-Scholes-Merton option pricing model and the discounted cash flow method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

13. TRADE AND OTHER PAYABLES

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Trade payables		
To third parties	37,400	31,047
Other payables		
Accrued charges and other creditors	8,671	7,678
	46,071	38,725

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

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
0 – 60 days	28,146	24,872
61 – 90 days	5,984	4,143
Over 90 days	3,270	2,032
	37,400	31,047

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2007 and 30 June 2008	12,000,000,000	240,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
Balance at 1 January 2007	4,151,388,496	83,028
Issue of shares for cash	600,000,000	12,000
Shares issued upon conversion of convertible bonds	449,694,954	8,994
Balance at 31 December 2007 and at 30 June 2008 (Unaudited)	5,201,083,450	104,022

15. COMMITMENTS

Capital expenditure commitments

During the year ended 31 December 2007, the Group entered into agreements with various connected persons to acquire 44.19% of the remaining interests in each of the PRC associates from its respective controlling shareholder and its associates at the total consideration of approximately HK\$1,611 million to be satisfied fully by the issue of 1,288,672,000 ordinary shares of the Company of nominal value of HK\$0.02 each at HK\$1.25 per share. The acquisitions have been approved by the independent shareholders of the Company and have subsequently been completed on 1 July 2008. At the date of issue of this interim financial report, the fair values of identifiable assets, liabilities and contingent liabilities of the PRC associates have not yet been determined.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

15. COMMITMENTS (Continued)

Capital expenditure commitments (Continued)

At the balance sheet date, the Group had the following capital commitments in respect of plant and machinery:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Contracted for but not provided for, net of deposits paid	52,420	70,679

Operating lease commitments

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

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Within one year	2,943	2,101
In the second to fifth year inclusive	2,091	2,815
	5,034	4,916

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

15. COMMITMENTS (Continued)

Operating lease commitments (Continued)

- (2) At the balance sheet date, the Group had commitments for future minimum lease payments in respect of factory premises and equipment under non-cancellable operating leases with an associate of the Company which fall due as follows:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
Within one year	6,004	–
In the second to fifth year inclusive	24,015	–
Over five years	85,297	–
	115,316	–

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

16. RETIREMENT BENEFITS SCHEME

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

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

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

For the six months ended 30 June 2008, the aggregate employer's contributions made by the Group and charged to the income statement are HK\$1,076,000 (2007: HK\$776,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

17. 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 2007. Approximately 33% of the options will be automatically vested at the date of grant and the remaining 67% will be vested one year from the date of grant. Movements in number of share options during the period are as follows:

2008

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted/ (Cancelled) during the period	Outstanding at 30 June
Directors	23 February 2004 to 22 February 2009	0.95	35,000,000	–	35,000,000
	5 August 2005 to 4 August 2010	0.70	131,000,000	–	131,000,000
	28 November 2006 to 27 November 2011	0.89	12,000,000	–	12,000,000
	10 July 2006 to 16 May 2011	0.93	3,000,000	–	3,000,000
	8 May 2008 to 7 May 2013	0.92	–	56,500,000	56,500,000
			181,000,000	56,500,000	237,500,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted/ (Cancelled) during the period	Outstanding at 30 June
Employees	5 August 2005 to 4 August 2010	0.70	86,600,000	–	86,600,000
	10 July 2006 to 16 May 2011	0.93	9,420,000	–	9,420,000
	28 November 2006 to 27 November 2011	0.89	3,000,000	–	3,000,000
	18 September 2007 to 17 September 2012	1.06	28,500,000	–	28,500,000
	8 May 2008 to 7 May 2013	0.92	–	141,900,000	141,900,000
	5 June 2008 to 4 June 2013	0.98	–	2,000,000	2,000,000
				308,520,000	200,400,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2007

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted/ (Cancelled) during the period	Outstanding at 30 June
Directors	23 February 2004 to 22 February 2009	0.95	35,000,000	–	35,000,000
	5 August 2005 to 4 August 2010	0.70	131,000,000	–	131,000,000
	28 November 2006 to 27 November 2011	0.89	12,000,000	–	12,000,000
	10 July 2006 to 16 May 2011	0.93	3,000,000	–	3,000,000
			181,000,000	–	181,000,000
Employees	5 August 2005 to 4 August 2010	0.70	88,500,000	(1,900,000)	86,600,000
	10 July 2006 to 16 May 2011	0.93	10,000,000	(580,000)	9,420,000
	28 November 2006 to 27 November 2011	0.89	3,000,000	–	3,000,000
			282,500,000	(2,480,000)	280,020,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

No options were exercised to subscribe for shares in the Company during the periods. The options of 198,400,000 and 2,000,000 were granted on 8 May 2008 and 5 June 2008 respectively. The fair values of the options determined at the dates of grant using the Black-Scholes-Merton Option pricing model were HK\$35,414,000 and HK\$500,000 respectively. The closing prices of the Company's shares immediately before 8 May 2008 and 5 June 2008, the date of grant of the options of 198,400,000 and 2,000,000 respectively during the period, were HK\$0.92 and HK\$0.98 respectively.

The Group recognised a total expense of HK\$17,717,000 for the six months ended 30 June 2008 (2007: HK\$1,349,000) in relation to share options granted by the Company.

18. 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	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Associates			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of automobile parts and components	71,938	65,333
	Dividend income	91,390	183,463
Shanghai Maple Guorun Automobile Company Limited (上海華普國潤汽車有限公司)	Dividend income	13,909	22,556
	Rental expense	2,434	-
Zhejiang Kingkong Automobile Company Limited (浙江金剛汽車有限公司)	Dividend income	83,913	-
	Rental expense	258	-
Zhejiang Ruhoo Automobile Company Limited (浙江陸虎汽車有限公司)	Dividend income	2,972	-
Manganese Bronze Holdings plc (英國錳銅控股有限公司)	Dividend income	1,332	-
Related company (Note)			
Zhejiang Guo Mei Decoration Materials Company Limited (浙江國美裝潢材料有限公司)	Rental expense	-	75

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

18. RELATED PARTY TRANSACTIONS *(Continued)*

(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	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	4,311	3,559
Retirement benefits scheme contribution	38	31
Share-based payments	17,717	1,349
	22,066	4,939

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 (the "Group") for the six months ended 30 June 2008. These interim results have been reviewed by the Company's Audit Committee, comprising solely the independent non-executive directors, one of whom chairs the committee, and the Company's auditors, Grant Thornton.

OVERALL PERFORMANCE

The year 2008 has been a milestone year in the Group's history with its successful transformation into the ultimate holding vehicle of Geely Group's auto-related businesses following the completion of the acquisition of additional interests in the Group's five operating associates on 1 July 2008, raising its equity interests in these operating associates to 91%. By virtue of the acquisitions, the Group's five operating associates – the key earnings contributors to the Group, comprising virtually all Geely Group's auto-related businesses – will become subsidiaries of the Group, thus allowing the Group to fully consolidate their financial results into the Group's consolidated financial statements from July 2008.

Despite continued difficult market condition in China's sedan market, featured by a continued slow down in the growth of sedan sales in the China market and the tremendous cost pressure caused by higher inflation in China and the rapidly rising prices of raw materials, the Group's performance in the first half of 2008 was very encouraging, helped by the operating associates' successful migration from the old lower priced models to the higher margin new models and the initial positive results from the Group's strategic transformation implemented about a year ago.

To cope with the rapid changes in market environment, the Group's operating associates have embarked on a major strategic transformation since mid 2007, through expansion into higher-end and large sized vehicles and major investments to enhance the operating associates' technology competence and product branding, aiming at transforming their competitive advantages from price competitive to technology and performance competent. The strategic transformation has started to yield very positive results in 2008, enabling the operating associates to achieve remarkable results in terms of sales volume growth and profitability despite a generally weaker sedan market in China since the second quarter of 2008. The Group's five operating associates – Zhejiang Geely Automobile Company Limited ("Zhejiang Geely"), Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple"), Zhejiang Kingkong Automobile Company Limited ("Zhejiang Kingkong"), Zhejiang Ruhoo Automobile Company Limited ("Zhejiang Ruhoo") and Hunan Geely Automobile Components Company Limited ("Hunan Geely") – sold a total of 106,948 units of vehicles in the first six months of 2008, up 27% from the same period in previous year, and achieved net profit of HK\$607 million, up 119% from the first half of 2007.

Helped by the strong performance of the operating associates, the Group recorded a significant growth in net profit to HK\$261 million in the first half of 2008, up 217% from the same period in 2007. The strong earnings performance was also helped by a HK\$18 million fair value gain on the Company's outstanding 5-year zero coupon Convertible Bonds due 2011, and an 66% decline in finance costs, mainly due to the conversion of over half of the Company's Convertible Bonds during 2007. The good results, however, were despite the inclusion of non-cash charges including HK\$18 million expense on share option benefits and HK\$6 million on deferred taxation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover, which principally came from its 100%-owned auto parts subsidiary Zhejiang Fulin Guorun Automobile Parts & Components Co. Ltd ("Zhejiang Fulin"), amounted to HK\$72 million for the six months ended 30 June 2008, representing a small increase of 10% from the same period last year. Zhejiang Fulin's earnings performance in the first half of 2008 was affected by higher raw materials prices during the period. As a result, Zhejiang Fulin's net profit decreased by around 55% to HK\$2.4 million in the first half of 2008.

51%-owned Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), the Company's joint venture with Manganese Bronze Holdings PLC ("Manganese Bronze"), is on track to start mass production of the localized TX4 models by the end of 2008. Without any revenues during the period, Shanghai LTI recorded a net loss of HK\$9.4 million in the first half of 2008, mainly due to foreign exchange related losses totaled HK\$5.1 million.

100%-owned Zhejiang Kingkong Automobile Parts and Components R&D Company Limited ("Zhejiang Kingkong Auto Parts R&D") was officially set up in December 2007 to invest in automobile parts related projects. The company concluded its first investment project during the first half of 2008, but has not started to generate any revenue during the period. The company recorded a net loss of HK\$3.7 million, predominantly as a result of a HK\$3.5 million exchange loss from its cash holding.

ACQUISITION OF ADDITIONAL INTERESTS IN OPERATING ASSOCIATES

The Group completed the acquisition of the additional 44.19% interests in each of five operating associates: Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely on 1 July 2008, raising its equity interests in these operating associates to 91%, for a total consideration of HK\$1,611 million to be satisfied by the issue of 1,289 million new shares of the Group at HK\$1.25 per share. The issue of the new shares increased the Group's total number of ordinary shares by around 25%. The consideration of HK\$1,611 million has been determined with reference to the unaudited net asset value of the operating associates on 30 June 2007.

The acquisition should significantly enhance the Group's corporate structure, thus resulting in a more streamlined operation with much improved operating efficiency and much better transparency. The acquisition would also allow the Group to fully incorporate the large revenue base of Geely Group's auto-related businesses, which exceeded RMB7 billion in 2007 and allow the Group to share the majority of Geely Group's operating profits from its auto-related businesses. Immediately after the completion of the acquisition, the five operating associates became subsidiaries of the Group and their financial results have since then been consolidated with the financial results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

AUTOMOBILE PARTS MANUFACTURING – ZHEJIANG FULIN GUORUN AUTOMOBILE PARTS AND COMPONENTS CO. LTD.

Wholly owned subsidiary Zhejiang Fulin is principally engaged in the manufacturing and sales of brake system and electric power steering (“EPS”) for sedans, mainly to the Group’s operating associates. Demand for the company’s products in the first half of 2008 remained stable, helped by the continued strong sales of the operating associates’ “Free Cruiser” sedans, which utilize Zhejiang Fulin’s brake systems and EPS. Zhejiang Fulin’s profit margin, however, was affected by the rapidly rising raw materials like pig iron and steel during the period. As a result, Zhejiang Fulin’s net profit was down 55% to HK\$2.4 million in the first half of 2008 although its turnover was maintained at last year’s level at around HK\$72 million. Zhejiang Fulin started the mass production of a new generation of Electric Power Steering (“EPS”) for higher end Geely sedans like “Free Cruiser” and “Geely Kingkong” in 2008. Zhejiang Fulin also started the production of other higher end products like Burst Monitoring and Braking System (“BMBS”) recently, hoping to alleviate impact from rising raw material prices and to restore margin to a more healthy level. With the new products in the pipeline and a bigger capital base after a capital injection by the Group at the end of 2007 to expand Zhejiang Fulin’s registered capital from RMB20 million to RMB120 million, the Board believes that Zhejiang Fulin should be in much better position to improve its performance in the coming years.

TAXI VEHICLE MANUFACTURING – SHANGHAI LTI

51%-owned Shanghai LTI Automobile Components Company Limited (“Shanghai LTI”) is a production joint venture between the Group and UK-listed Manganese Bronze Holdings PLC. Shanghai LTI was officially established in June 2007, aiming to achieve volume production of the iconic London Taxies at a significantly lower cost and for the production of high-end saloon cars for sales to the domestic and the World market. With the factory modification of rented facilities from Shanghai Maple completed in mid-2008 and the successful production of the first prototype TX4 models in June 2008, Shanghai LTI is on track to start production of the localized TX4 London Taxi models by the end of 2008. Selling and marketing activities have already started in China, Asia and other international markets to develop the potential demand for the TX4 models to be produced by Shanghai LTI, including the displays of TX4 models in Hong Kong International Auto Parts & Accessories Fair in 2007, in Detroit Auto Show in January 2008, and the Beijing Auto Show in April 2008. Considerable interests have been shown in the TX4 models by a wide variety of customers in different countries. Manganese Bronze, the exclusive distribution agent for TX4 models outside Asia, announced that it has signed Memoranda of Understanding (MOU) for a total of 6,000 vehicles over a period of three years with deliveries commencing in early 2009. Without any revenues during the period, Shanghai LTI recorded a net loss of HK\$9.4 million in the first half of 2008, mainly due to foreign exchange related losses totalled HK\$5.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

ZHEJIANG KINGKONG AUTOMOBILE PARTS AND COMPONENTS R&D COMPANY LIMITED

Wholly owned Zhejiang Kingkong Auto Parts R&D was officially set up in December 2007 to invest in automobile parts related projects, focusing on investment in automobile components manufacturers and R&D projects, tailored to the need of the Group's operating associates. Total capital contribution by the Group amounted to US\$14.9 million, which was funded by the Group's internal cash reserves.

The company made its first investment in 2008 by setting up a 50:50 joint-venture with Tianjin Haitian Automobile Fittings & Parts Development Company Limited ("Tianjin Haitian"), a leading auto parts manufacturer in China specializing in the manufacturing and sales of automobile engine components like crankshaft vibration dampers and engine support stands. Total investment of the joint venture, named Qufu Kailun Automobile Parts and Components Manufacturing Company Limited, amounted to RMB30 million, while the joint venture's total registered capital was RMB20 million. The Group's capital contribution of RMB10 million was paid in cash. In addition to its capital contribution of RMB10 million in cash, Tianjin Haitian also agreed to transfer into the joint venture its existing manufacturing business and its production technologies. Located in Qufu city of Shandong province, the joint venture is principally engaged in the manufacturing and sales of crankshaft vibration dampers and engine support stands, mainly for uses on Tianjin Xiali's and the Group's operating associates' sedans. A brand new plant with total annual production capacity of 1 million sets of vibration dampers and 1 million sets of engine support stands and production floor area of 10,000 square metres is being constructed in Qufu Development Zone in Shandong, scheduled to start mass production in early 2009.

The company did not generate any revenue and recorded a net loss of HK\$3.7 million during the first half of 2008, mainly due to a HK\$3.5 million exchange loss from its cash holding.

MANGANESE BRONZE HOLDINGS PLC

The Group owns 5.7 million shares, representing 22.83% stake in Manganese Bronze Holdings PLC ("MBH"), the leading manufacturer of the distinctive London taxis in UK. In addition to its 48% stake in Shanghai LTI, MBH derives most of its revenues and profit from the manufacture and sales of London taxis in the UK market. MBH's performance in the first half of 2008 was affected by the uncertain macro economic conditions in UK and thus slow down in the sales of new taxi vehicles in the London market. As a result, total vehicle sales were down by 13% to 1,169 units and total revenues was down 7% to GBP42.4 million in the first half of 2008. In addition, the strength of Euro against GBP, also negatively affected earnings given that some of the company's key components were sourced in Europe and denominated in Euro. These negative factors, however, were largely offset by the strong performance of MBH's parts and finance businesses, enabling MBH to report profit before tax of GBP1.5 million in the six months ended 30 June 2008 (six months ended 31 January 2007: GBP0.7 million). The Board of MBH also declared an interim dividend of 2.25 pence per share.

In MBH's 2008 interim results announcement, the Board of MBH said that demand for new vehicles in the second half of 2008 will follow the normal seasonal pattern and be below that of the first half. Despite the uncertain UK business condition, the breakeven point of MBH's manufacturing business in UK has been significantly reduced through the implementation of an aggressive cost reduction programme early this year. The Board of MBH therefore believes that the company is in a good position to handle any future UK market challenges. The

MANAGEMENT DISCUSSION AND ANALYSIS

management plans to focus on operating cost control and procurement savings from Chinese sourcing to offset any lower volume in the UK business. Despite this, its 48%-stake in Shanghai LTI is on track to start commercial production in Shanghai in late 2008 and should help MBH to improve its financial performance longer-term.

VEHICLE MANUFACTURING – ZHEJIANG GEELY, SHANGHAI MAPLE, ZHEJIANG KINGKONG, ZHEJIANG RUHOO AND HUNAN GEELY

Since the acquisition of additional stakes in the operating associates was only completed on 1 July 2008, the Group's interests in Zhejiang Geely, Shanghai Maple, Zhejiang Kingkong, Zhejiang Ruhoo and Hunan Geely were only all equity accounted for as 46.8% associates in the Group's financial statements in the first half of 2008. The five operating associates sold a total of 106,948 units of vehicles in the first six months of 2008, up 27% from the same period last year, helped by the strong demand for new higher-priced models like the "Geely Kingkong" model, and the strong growth in export sales volume, which was up almost 200% to more than 20,400 units during the period. As a result of the continued improvement in product mixes towards higher-priced models, the operating associates achieved even faster growth in both of their revenues and net profits. Total sales revenue of vehicles by the operating associates was up 44% to HK\$4,690 million, while their total net profit was up 119% to HK\$607 million. The three new higher priced models: namely "Free Cruiser", "Geely Kingkong" and "Vision" accounted for 72% of total sales volume, compared with 59% in same period last year.

In particular, "Geely Kingkong" continued to receive very good market response and achieved a total sales volume of 29,342 units, up 78% from the previous year, and remained the operating associates' second best selling models in terms of sales volume during the period. "Free Cruiser" remained the operating associates' best selling models during the first half of 2008, achieving 9% YoY increase in sales volume to 33,426 units, or 31% of the operating associates' total sales volume during the period. The highest-priced model of the operating associates – "Vision" sedans – achieved the fastest growth in sales volume during the period with sales volume up over 400% to 13,968 units in the first half of 2008. The commencement of production of "Vision" model in Xiangtan plant of Hunan Geely in the third quarter of 2008 in addition to its existing production in Ningbo should help to eliminate the current capacity constraints of "Vision" model, thus allowing "Vision" models to maintain its strong sales momentum towards the end of 2008. Through the introduction of a lower-priced Haifeng model and the lower-priced version of Marindo and Hysoul models, Maple sedans recovered strongly in the first half of 2008, reversing previous trend of stagnant sales by Maple sedans since 2005, achieving 60% YoY growth to 21,168 units during the period, paving the way for Maple sedans to achieve a record year in terms of sales volume in 2008.

In the first half of 2008, the average sales price of the operating associates increased by 7% to RMB40,782 per car due to continued improvement in product mix towards more higher-priced models. Net profit per car increased by 73% to HK\$5,679 per car during the period, helped by stable product prices and success in controlling costs. During the period, unit production costs for comparable models are estimated to have fallen by around 2-3% due to significant cost saving from the application of platform technology in the new model development process, which allow increased sharing

MANAGEMENT DISCUSSION AND ANALYSIS

of parts and components between different models. Better control over the fluctuation of raw material prices through the employment of long-term supply contracts and strategic alliance with major raw material suppliers, and improved operating efficiency achieved at the operating associates' manufacturing process also helped to offset significant cost pressure during the period.

PRODUCTION PLANTS

The Group's five operating associates own production facilities in Ningbo, Shanghai, Luqiao, Linhai and Xiangtan respectively with a total annual production capacity of 340,000 units per shift. With the completion of upgrading and modification works at Shanghai Phase I plant and Xiangtan plant and the completion of construction of Ningbo Phase II plant, total annual production capacity of the operating associates will be expanded to 500,000 units per shift by the end of 2008. Major investment projects conducted in the first half of 2008 include:

1. Excellent progress has been achieved in the construction of Phase II of Ningbo plant so far in 2008 and the 50,000 units annual capacity plant is due for completion by the end of 2008, aiming to start production of a new series of mid-end sedans called "FC-2" and "FC-3" by 2009.
2. The modification of Xiangtan plant to facilitate the production of "Vision" model at the plant had been completed. Production of "Vision" model at Xiangtan plant is scheduled to start in the third quarter of 2008.
3. All factory modifications at the Phase I of Shanghai plant have been completed on time and to budget. Prototype production of TX4 London Taxies was started successfully in June 2008. Full ramp up to commercial production is scheduled before the end of 2008.

NEW PRODUCTS

Major new product launches by the operating associates in the first half of 2008 are summarized below:

1. Geely "Vision" Euro III CNG dual-fuel sedans (1.8L);
2. Maple "Hysoul" sedans – economy version (1.3L);
3. "BMBS" Burst Monitoring and Braking System as an option to most Geely sedans;
4. The "Sun-Roof" version of "Free Cruiser", "Geely Kingkong" and "Vision";
5. The "6th Generation" Electric Power Steering "EPS"

In the second half of 2008, the Company's five operating associates plan to launch the following new products:

1. Geely "Free Cruier" Euro III CNG dual-fuel sedans (1.3L);
2. "Geely Kingkong" Euro III CNG dual-fuel sedans (1.6L);
3. "Geely Kingkong" hatchback ("Jin Yin") sedans (1.5L AT);
4. Maple "Hiye" hatchback (1.3L, 1.5L);
5. New Maple mid-end sedans (1.8L);
6. New Maple economy sedans (1.0L);
7. "China Dragon" sport car (1.8L);
8. "Geely Panda" economy sedans (1.0L, 1.3L);
9. "Geely Panda" economy sedans – electric version;
10. "TX-4" taxi vehicles (2.5L diesel)

MANAGEMENT DISCUSSION AND ANALYSIS

The operating associates' long-term new product development focus is to develop five technological platforms, 15 product platforms and 42 brand new vehicle models by 2015.

EXPORTS

The Group's operating associates exported a total of 20,455 units of Geely and Maple sedans in the first six months of 2008, up almost 200% from same period last year, accounting for 19% of the operating associates' combined sales volume and over 15% of China's total sedan/SKD exports during the period. "Geely Kingkong" surpassed "Free Cruiser" to become the most popular export models in terms of sales volume in the first half of 2008 with close to 10,000 units of "Geely Kingkong" sold to export markets during the period. Eastern Europe, Middle East, Central America, Africa and South East Asia remained the most important markets for the operating associates' exports. The strong export performance should be a combined result of the operating associates' substantial investment to enhance the after sales and maintenance services in the oversea market over the past few years and their long-term effort to build up distribution channels in these markets. In view of the strong export performance in the first half of 2008, the operating associates are on track to achieve their combined full year export target of 50,000 units in 2008.

OUTLOOK

Although competition in China's sedan market continues to intensify, we expect the growth of China's sedan sales volume to be maintained at around 20% per annum in the coming few years. According to the figures compiled by the China Association of Automobile Manufacturers,

total sales volume of sedans in China amounted to 2.67 million units in the first half of 2008, up 16.7% from the previous year. The healthy long-term growth in China's sedan demand should bode well for the Group's financial performance in the coming years. On the other hand, the increasing importance of the operating associates' export sales should also provide the operating associates a cushion to any cyclical downturn in the China sedan market, thus enabling the Group to sustain a consistent profit growth longer-term.

Despite significant upward pressure on production costs during the first half of 2008 due to higher inflation in China and rapid rise in the prices of key raw materials, the Group's operating associates have been able to mitigate the impact through a number of long-term projects implemented a few years earlier, including a dedicated effort to improve their product mix to include more higher priced models, a completed revamp of the new product development process to allow more parts and components sharing between different product platforms and models, and the effort to strengthen relationship with key supplier through long-term supply contracts and strategic alliances. These, coupled with continued improvement in production efficiency and the stability of product prices during the period, have allowed the operating associates to largely offset the cost pressure during the period.

Despite the Group's strong performance in the first half of 2008, featured by strong growth in both revenues and profitability of the Group's operating associates during the period, the Group's Board of Directors, however, decided to take a more conservative stance and to maintain our full year sales target at 230,000 units, representing a growth of 27% over 2007, in view of the increased uncertainty in the economic condition in

MANAGEMENT DISCUSSION AND ANALYSIS

China and abroad. In the first half of 2008, the Group's operating associates had sold 106,948 units of vehicles, achieving 47% of their combined full year sales volume target. In view of the recent continued strong demand for both Geely and Maple sedans even in the traditional low season of July and August, the Board believes that the operating associates are on track to achieve their full year sales targets.

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

CAPITAL STRUCTURE AND TREASURY POLICIES

The business activities of the Group are mainly financed by the share capital, internal cash reserves and dividends received from the Group's four major associates. As at 30 June 2008, the Group's shareholders' fund amounted to approximately HK\$2,731 million (As at 31 December 2007: approximately HK\$2,441 million). No shares were issued by the Group during the period.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group considers that fluctuations in exchange rate do not impose a significant risk to the Group since the Group's operations are principally in the Mainland China and Hong Kong and all assets and liabilities are denominated either in Renminbi or Hong Kong dollars.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group's current ratio (current assets/current liabilities) was 18.07 (As at 31 December 2007: 11.12) and the gearing ratio of the Group was 12% (As at 31 December 2007: 14%) which was calculated on the Group's total borrowings to total shareholders' equity. Total borrowings (excluding the embedded derivatives of the Company's convertible bonds and trade and other payables) as at 30 June 2008 amounted to approximately HK\$317 million (As at 31 December 2007: approximately HK\$330 million) were mainly the Company's convertible bonds and the amount due to an associate. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on maturity. For the amount due to an associate, it was unsecured, interest-free and repayable on demand. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 30 June 2008, the total number of employees of the Group including associates was about 9,445 (As at 31 December 2007: approximately 8,813). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2008, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock

Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Shares				
Mr. Li Shu Fu (Note 1)	Corporate	2,500,087,000	–	48.07%
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	–	0.04%
Share options				
Mr. Ang Siu Lun, Lawrence	Personal	35,000,000 (Note 2)	–	0.67%
Mr. Ang Siu Lun, Lawrence	Personal	10,000,000 (Note 3)	–	0.19%
Mr. Ang Siu Lun, Lawrence	Personal	6,000,000 (Note 6)	–	0.12%
Mr. Gui Sheng Yue	Personal	23,000,000 (Note 3)	–	0.44%
Mr. Gui Sheng Yue	Personal	8,000,000 (Note 6)	–	0.15%

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Xu Gang	Personal	23,000,000 (Note 3)	–	0.44%
Mr. Yang Jian	Personal	23,000,000 (Note 3)	–	0.44%
Mr. Yang Jian	Personal	8,000,000 (Note 6)	–	0.15%
Mr. Liu Jin Liang	Personal	18,000,000 (Note 3)	–	0.35%
Mr. Liu Jin Liang	Personal	6,000,000 (Note 6)	–	0.12%
Mr. Zhao Jie	Personal	18,000,000 (Note 3)	–	0.35%
Mr. Zhao Jie	Personal	6,000,000 (Note 6)	–	0.12%
Mr. Yin Da Qing, Richard	Personal	16,000,000 (Note 3)	–	0.31%
Mr. Yin Da Qing, Richard	Personal	7,000,000 (Note 6)	–	0.13%
Dr. Zhao Fuquan	Personal	12,000,000 (Note 5)	–	0.23%
Dr. Zhao Fuquan	Personal	11,000,000 (Note 6)	–	0.21%
Mr. Song Lin	Personal	1,000,000 (Note 4)	–	0.02%

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Song Lin	Personal	1,500,000 (Note 6)	–	0.03%
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 4)	–	0.02%
Mr. Yeung Sau Hung, Alex	Personal	1,500,000 (Note 6)	–	0.03%
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 4)	–	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,500,000 (Note 6)	–	0.03%

Notes:

- (1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is wholly owned by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li.
- (2) This interest relates to share options granted on 23 February 2004 by the Company to Mr. Ang Siu Lun, Lawrence. The share options are exercisable at a subscription price of HK\$0.95 for each share during the period from 23 February 2004 to 22 February 2009. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that at 30 June 2008.
- (3) This interest relates to share options granted on 5 August 2005 by the Company to the executive Directors. The share options are exercisable at a subscription price of HK\$0.70 for each share during the period from 5 August 2005 to 4 August 2010. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that at 30 June 2008.
- (4) This interest relates to share options granted on 23 May 2006 by the Company to the independent non-executive Directors. The share options are exercisable at a subscription price of HK\$0.93 for each share during the period from 10 July 2006 to 16 May 2011. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that at 30 June 2008.

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- (5) This interest relates to share options granted on 28 November 2006 by the Company to Dr. Zhao Fuquan. The share options are exercisable at a subscription price of HK\$0.89 for each share during the period from 28 November 2006 to 27 November 2011. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that at 30 June 2008.
- (6) 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 options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that at 30 June 2008.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100%
Mr. Li Shu Fu	Proper Glory Holding Inc.	100	–	100%
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	(Note 5)	–	(Note 5)

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Geely Merrie Automobile Company Limited. Zhejiang Geely Merrie Automobile Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li and his associate.
- (2) Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Shanghai Maple Automobile Company Limited. Shanghai Maple Automobile Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li and his associate.
- (3) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li and his associate.
- (4) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li and his associate.
- (5) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Haoqing Automobile Manufacturing Company Limited. Zhejiang Haoqing Automobile Manufacturing Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 100%-owned by Mr. Li and his associate.

Save as disclosed above, as at 30 June 2008, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 June 2008, the directors and chief executive of the Company have the following options to subscribe for

the shares of the Company under the Company's share options scheme approved and adopted on 31 May 2002 (the "Scheme"):

Name of Director	Outstanding Options as at 30 June 2008	Date of grant	Exercise period	Exercise price HK\$
Mr. Ang Siu Lun, Lawrence	35,000,000	23.2.2004	23.2.2004 – 22.2.2009	0.95
Mr. Ang Siu Lun, Lawrence	10,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Ang Siu Lun, Lawrence	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Gui Sheng Yue	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Gui Sheng Yue	8,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Xu Gang	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yang Jian	23,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yang Jian	8,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Liu Jin Liang	18,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Liu Jin Liang	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Zhao Jie	18,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Zhao Jie	6,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Yin Da Qing, Richard	16,000,000	5.8.2005	5.8.2005 – 4.8.2010	0.70
Mr. Yin Da Qing, Richard	7,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Dr. Zhao Fuquan	12,000,000	28.11.2006	28.11.2006 – 27.11.2011	0.89
Dr. Zhao Fuquan	11,000,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Song Lin	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Song Lin	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Yeung Sau Hung, Alex	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Yeung Sau Hung, Alex	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92
Mr. Lee Cheuk Yin, Dannis	1,000,000	23.5.2006	10.7.2006 – 16.5.2011	0.93
Mr. Lee Cheuk Yin, Dannis	1,500,000	8.5.2008	8.5.2008 – 7.5.2013	0.92

237,500,000

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 2007 annual report.

Based on the Company's records as at 30 June 2008, except disclosed in the section headed "Directors' Right

to Acquire Shares" above, 271,420,000 share options were granted by the Company to the employees and remain outstanding since its adoption.

INTERIM DIVIDEND

At a meeting of the Board held on 10 September 2008, the Directors resolved not to pay an interim dividend to shareholders (2007: Nil).

CONNECTED TRANSACTIONS

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

(A) Transactions

Connected parties	Nature of transactions	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Zhejiang Geely Automobile Company Limited	Sales of automobile parts and components	71,938	65,333
	Dividend income	91,390	183,463
Shanghai Maple Guorun Automobile Company Limited	Dividend income	13,909	22,556
	Rental expense	2,434	–
Zhejiang Kingkong Automobile Company Limited	Dividend income	83,913	–
	Rental expense	258	–
Zhejiang Ruhoo Automobile Company Limited	Dividend income	2,972	–
Manganese Bronze Holdings plc	Dividend income	1,332	–
Zhejiang Guo Mei Renovation Company Limited (Note)	Rental expense	–	75

Note: The Group and the related company are under the same controlling shareholder and his associate.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2008, the following persons (other than the directors or the chief executive of the Company) had

Substantial Shareholders

(as defined in the Listing Rules)

Name	Capacity	Number of shares held		Shareholding Percentage (%)
		Long position	Short position	
Proper Glory Holding Inc. (Note)	Beneficial owner	2,500,000,000	–	48.07
Geely Group Ltd. (Note)	Beneficial owner	87,000	–	0.002
	Corporate	2,500,000,000	–	48.07
TOSCAfund Asset Management LLP	Corporate	780,765,000	–	15.01
Morgan Stanley	Corporate	288,304,144	285,009,144	0.06
UBS AG	Corporate	624,898,769	6,974,000	11.88

Note: Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is wholly owned by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 30 June 2008 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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:

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 2008.

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 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2008, 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
10 September 2008