



吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)



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CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu (*Chairman*)
Mr. Yang Jian (*Vice Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Mr. Li Dong Hui, Daniel
Mr. Liu Jin Liang
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang

Audit Committee:

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

Remuneration Committee:

Mr. Yeung Sau Hung, Alex (*Committee's Chairman*)
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Fu Yu Wu
Mr. Wang Yang

Nomination Committee:

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

Company Secretary:

Mr. Cheung Chung Yan, David

Auditors:

Grant Thornton Hong Kong Limited

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
China CITIC Bank International Limited
Bank of America NA

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Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited
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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



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 statement of financial position of Geely Automobile Holdings Limited as of 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 Hong Kong Limited

Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

22 August 2013

Chiu Wing Ning

Practising Certificate No.: P04920

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited) (Restated) (Note 3)
Turnover/Revenue		14,854,979	11,177,331
Cost of sales		(12,008,149)	(9,237,171)
Gross profit		2,846,830	1,940,160
Other income	5	552,308	726,510
Distribution and selling expenses		(820,927)	(659,423)
Administrative expenses, excluding share-based payments		(746,903)	(577,939)
Share-based payments		(46,019)	(63,660)
Finance costs, net	6	(56,572)	(103,468)
Share of results of associates		(3,812)	(1,427)
Profit before taxation		1,724,905	1,260,753
Taxation	7	(323,003)	(233,908)
Profit for the period	6	1,401,902	1,026,845
Attributable to:			
Equity holders of the Company		1,398,468	1,019,630
Non-controlling interests		3,434	7,215
		1,401,902	1,026,845
Earnings per share			
Basic	9	RMB16.92 cents	RMB13.66 cents
Diluted	9	RMB16.16 cents	RMB12.49 cents

The notes on pages 9 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	1,401,902	1,026,845
Other comprehensive loss for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	(80,898)	(11,396)
Gain arising on revaluation of available-for-sale financial assets	-	58
Total comprehensive income for the period	1,321,004	1,015,507
Attributable to:		
Equity holders of the Company	1,317,570	1,008,292
Non-controlling interests	3,434	7,215
	1,321,004	1,015,507

The notes on pages 9 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	6,790,994	7,007,742
Intangible assets	11	3,003,183	2,814,497
Goodwill		6,222	6,222
Interests in associates	12	228,686	195,165
Interests in a joint venture	13	500,000	–
Available-for-sale financial assets		3,609	3,661
Prepaid land lease payments		1,551,233	1,461,026
Deferred tax assets		53,214	36,561
		12,137,141	11,524,874
Current assets			
Prepaid land lease payments		39,832	38,144
Inventories	14	1,946,164	1,822,287
Trade and other receivables	15	10,960,391	13,475,632
Financial assets at fair value through profit or loss		13,407	12,676
Tax recoverable		4,599	3,816
Pledged bank deposits		67,295	313,535
Bank balances and cash		5,719,397	4,188,862
		18,751,085	19,854,952
Current liabilities			
Trade and other payables	17	14,336,556	15,183,394
Taxation		216,200	130,789
Borrowings	18	792,635	1,378,933
		15,345,391	16,693,116
Net current assets		3,405,694	3,161,836
Total assets less current liabilities		15,542,835	14,686,710
CAPITAL AND RESERVES			
Share capital	19	152,789	152,557
Reserves		13,846,783	12,734,100
Equity attributable to equity holders of the Company		13,999,572	12,886,657
Non-controlling interests		157,829	317,367
Total equity		14,157,401	13,204,024
Non-current liabilities			
Convertible bonds	16	861,920	848,649
Borrowings	18	400,000	525,000
Deferred tax liabilities		123,514	109,037
		1,385,434	1,482,686
		15,542,835	14,686,710

The notes on pages 9 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity holders of the Company											
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory and staff welfare reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Convertible bonds and warrant reserve RMB'000 (Unaudited)	Fair value reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Balance at 1 January 2012	139,573	3,475,208	88,059	17,401	112,205	417,886	232,864	(174)	5,099,178	9,582,200	567,915	10,150,115
Profit for the period	-	-	-	-	-	-	-	-	1,019,630	1,019,630	7,215	1,026,845
Other comprehensive loss:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	(11,396)	-	-	-	-	(11,396)	-	(11,396)
Gain arising on revaluation of available-for-sale financial assets	-	-	-	-	-	-	-	58	-	58	-	58
Total comprehensive income for the period	-	-	-	-	(11,396)	-	-	58	1,019,630	1,008,292	7,215	1,015,507
Transactions with owners:												
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	22,399	22,399	(237,785)	(215,386)
Shares issued under share option scheme	293	16,206	-	-	-	(2,899)	-	-	-	13,600	-	13,600
Recognition of share-based payments	-	-	-	-	-	63,660	-	-	-	63,660	-	63,660
Final dividend declared and approved in respect of the previous year	-	-	-	-	-	-	-	-	(169,529)	(169,529)	-	(169,529)
Total transactions with owners	293	16,206	-	-	-	60,761	-	-	(147,130)	(69,870)	(237,785)	(307,655)
Balance at 30 June 2012	139,866	3,491,414	88,059	17,401	100,809	478,647	232,864	(116)	5,971,678	10,520,622	337,345	10,857,967
Balance at 1 January 2013	152,557	4,947,807	88,059	60,182	111,177	491,418	93,271	(42)	6,942,228	12,886,657	317,367	13,204,024
Profit for the period	-	-	-	-	-	-	-	-	1,398,468	1,398,468	3,434	1,401,902
Other comprehensive loss:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	(80,898)	-	-	-	-	(80,898)	-	(80,898)
Total comprehensive income for the period	-	-	-	-	(80,898)	-	-	-	1,398,468	1,317,570	3,434	1,321,004
Transactions with owners:												
Transfer of reserve	-	-	-	25,000	-	-	-	-	(25,000)	-	-	-
Shares issued under share option scheme	232	12,698	-	-	-	(2,251)	-	-	-	10,679	-	10,679
Disposal of a subsidiary (note 20)	-	-	-	-	-	-	-	-	-	-	(162,972)	(162,972)
Recognition of share-based payments	-	-	-	-	-	46,019	-	-	-	46,019	-	46,019
Transfer upon forfeiture of share options	-	-	-	-	-	(18,600)	-	-	18,600	-	-	-
Final dividend declared and approved in respect of the previous year	-	-	-	-	-	-	-	-	(261,353)	(261,353)	-	(261,353)
Total transactions with owners	232	12,698	-	25,000	-	25,168	-	-	(267,753)	(204,655)	(162,972)	(367,627)
Balance at 30 June 2013	152,789	4,960,505	88,059	85,182	30,279	516,586	93,271	(42)	8,072,943	13,999,572	157,829	14,157,401

The notes on pages 9 to 30 are integral parts of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before taxation		1,724,905	1,260,753
Adjustments for non-cash items		580,974	545,809
Operating profit before working capital changes		2,305,879	1,806,562
Net changes in working capital		1,276,574	25,813
Cash from operations		3,582,453	1,832,375
Income taxes paid		(240,305)	(472,097)
<i>Net cash from operating activities</i>		3,342,148	1,360,278
Cash flows from investing activities			
Purchase of property, plant and equipment		(450,992)	(583,669)
Addition of intangible assets		(385,615)	(338,167)
Addition of prepaid land lease payments		(180,043)	(46,385)
Proceeds from disposal of property, plant and equipment		18,238	56,250
Proceeds from disposal of intangible assets		26,190	1,764
Proceeds from disposal of prepaid land lease payments		33,792	3,442
Change in pledged bank deposits		246,240	19,884
Net cash inflow on disposal of subsidiaries	20	163,651	–
Acquisition of additional interests in subsidiaries		–	(215,386)
Investments in associates		(37,333)	(47,829)
Investments in a joint venture		(500,000)	–
Investments in available-for-sale financial assets		–	(931)
Interest received		35,563	20,630
<i>Net cash used in investing activities</i>		(1,030,309)	(1,130,397)
Cash flows from financing activities			
Proceeds from issuance of shares upon exercise of the share options		10,679	13,600
Proceeds from borrowings		7,932	1,477,000
Repayment of borrowings		(709,667)	(1,491,936)
Other financing activities		(65,469)	(76,004)
<i>Net cash used in financing activities</i>		(756,525)	(77,340)
Net increase in cash and cash equivalents		1,555,314	152,541
Cash and cash equivalents at beginning of period		4,188,862	3,030,391
Effect of foreign exchange rate changes		(24,779)	(2,388)
Cash and cash equivalents at end of period, represented by			
Bank balances and cash		5,719,397	3,180,544

The notes on pages 9 to 30 are integral parts of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. Basis of Preparation

These unaudited condensed consolidated interim financial report (the “Interim Financial Report”) has 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 Interim Financial Report is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2012 except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) and the change in segment presentation as disclosed in notes 2 and 4 respectively to this Interim Financial Report.

In 2012, the Group has changed the presentation of bank and other interest income. In this respect, certain amounts have been restated in prior period in this Interim Financial Report. Details are set out in note 3 below.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

2. Adoption of New or Amended HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2013:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures (2011)
HKFRS 7 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Various	Annual Improvements to HKFRSs 2009-2011 Cycle

Other than as noted 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.

HKAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income

The HKAS 1 (Amendments) requires an entity to group items presented in other comprehensive income into those that, in accordance with other HKFRSs: (a) will not be reclassified subsequently to profit or loss; and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group’s presentation of other comprehensive income in this Interim Financial Report has been modified accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

2. Adoption of New or Amended HKFRSs *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the consolidation guidance in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) – Int 12 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. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 – Joint Arrangements

HKFRS 11 introduces new accounting requirements for joint arrangements, replacing HKAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, HKFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. During the period, the Group has invested in a joint venture and accounted for it using the equity method.

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.

Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 25. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment and the change in the segment presentation as disclosed in note 4, the amendment does not have any impact on the segment disclosure of the Group as the Group has only one segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. Change in Presentation on Bank and Other Interest Income

During 2012, the Group changed its presentation on bank and other interest income which was previously included in other income in the consolidated income statement. Subsequent to the change in presentation, bank and other interest income of RMB35,563,000 for the six months ended 30 June 2013 (Six months ended 30 June 2012: RMB20,630,000) was included in net finance costs in the condensed consolidated income statement. There was no impact on the earnings per share and profit for the periods ended 30 June 2013 and 2012.

4. Segment Information

The Group previously managed its business by business lines and two reportable segments were identified.

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.

During the second quarter of 2013, the Group completed an evaluation of its activities in Gearboxes. As a result, and consistent with the Group's strategic view of its integrated business, the previously reported Gearboxes segment activities are aligned and reported within the Group's core business of automobiles and related parts and components. The Group believes the change in its internal reporting system allows the most senior executive management to assess the Group's performance more effectively.

As the resources allocation and performance assessment of the Group are now carried out by the most senior executive management based on the overall operation of the production and sale of automobiles, automobile parts and related automobile components, the Group has only one business segment for internal reporting purpose. As a result, no segment information has been presented for the periods ended 30 June 2013 and 2012. The Group uses consolidated profit before taxation as a measure of segment profit or loss. The Group's consolidated turnover represents revenue from external customers as the Group has only one segment.

Comparative periods have been reclassified to conform to the revised segment presentation.

5. Other Income

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
		(Note 3)
Net foreign exchange gain	–	21,213
Gain on disposal of property, plant and equipment	–	363
Gain on disposal of scrap materials	27,368	29,278
Net gain on disposal of subsidiaries	5,268	–
Net claims income on defective materials purchased	–	10,057
Rental income	20,390	14,278
Subsidy income from government (note)	484,647	634,034
Sundry income	14,635	17,287
	552,308	726,510

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

6. Profit for the Period

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
		(Note 3)
Finance income and costs		
Finance costs		
Effective interest expense on convertible bonds	26,666	48,094
Interest on bank borrowings wholly repayable within five years	65,142	75,906
Interest expenses paid to a non-controlling shareholder of a subsidiary of the Group	327	98
	92,135	124,098
Finance income		
Bank and other interest income	(35,563)	(20,630)
	56,572	103,468
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	636,207	567,127
Retirement benefit scheme contributions	69,852	57,872
Recognition of share-based payments	46,019	63,660
	752,078	688,659
Other items		
Cost of inventories recognised as expense	12,008,149	9,237,171
Depreciation	322,692	292,241
Net foreign exchange loss/(gain)	117,035	(21,213)
Amortisation of prepaid land lease payments	21,063	18,829
Amortisation of intangible assets	133,407	91,267
Research and development costs	86,331	56,527
Net loss on disposal of property, plant and equipment	21,857	12,225
Unrealised (gain)/loss on financial assets at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	(449)	478

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

7. Taxation

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax	320,652	267,639
Other overseas tax	8,475	4,601
Overprovision in prior years	(3,158)	(7,021)
	325,969	265,219
Deferred taxation	(2,966)	(31,311)
	323,003	233,908

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.

The income tax provision of the Group in respect of its operations in the People's Republic of China (the "PRC") has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practises in respect thereof. The applicable tax rate is the PRC enterprise income tax rate of 25%.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were 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. Tax concessions ended in 2012.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification and accordingly, enjoyed preferential income tax rate of 15%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Dividend

During the current period, a final dividend for the year ended 31 December 2012 of HK\$0.039 per share (Six months ended 30 June 2012: HK\$0.028), amounting to approximately RMB261,353,000 (Six months ended 30 June 2012: RMB169,529,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2012 final dividend was paid in July 2013 and is reflected as a dividend payable in the Interim Financial Report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

9. 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 RMB1,398,468,000 (Six months ended 30 June 2012: RMB1,019,630,000) and the weighted average number of ordinary shares of 8,266,868,105 shares (2012: 7,466,034,759 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	8,258,948,934	7,457,460,450
Effect of shares issued upon exercise of share options	7,919,171	8,574,309
	8,266,868,105	7,466,034,759

(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 RMB1,425,134,000 (Six months ended 30 June 2012: RMB1,067,724,000) and the weighted average number of ordinary shares of 8,817,438,996 shares (2012: 8,545,350,883 shares), calculated as follows:

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit attributable to equity holders of the Company)	1,398,468	1,019,630
After tax effect of effective interest on the liability component of convertible bonds	26,666	48,094
Earnings for the purpose of diluted earnings per share	1,425,134	1,067,724

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,266,868,105	7,466,034,759
Effect of deemed conversion of convertible bonds	550,570,891	1,012,167,165
Effect of deemed exercise of warrants	-	55,089,246
Effect of deemed issue of shares under the Company's share option scheme	-	12,059,713
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,817,438,996	8,545,350,883

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

10. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately RMB392,449,000 (Six months ended 30 June 2012: RMB460,849,000). Property, plant and equipment with net book value of approximately RMB40,095,000 (Six months ended 30 June 2012: RMB68,475,000) were disposed of during the period, resulting in a loss on disposal of approximately RMB21,857,000 (Six months ended 30 June 2012: RMB12,225,000), excluding the amounts through disposal of subsidiaries as set out in note 20.

11. Intangible Assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB385,615,000 (Six months ended 30 June 2012: RMB338,167,000). During the period, certain intangible assets were disposed of through disposal of subsidiaries as set out in note 20.

12. Interests in Associates

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Share of net assets	228,023	276,320
Goodwill	663	18,845
Impairment loss recognised	-	(100,000)
	228,686	195,165

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Represented by:		
Cost of unlisted investments	241,424	401,865
Share of post-acquisition losses and reserves	(12,738)	(106,700)
Impairment loss recognised	-	(100,000)
	228,686	195,165

At the reporting dates, the Group's interest in Manganese Bronze Holdings plc ("MBH") (being put under administration on 30 October 2012) is 19.97%. In prior years, the Group retained significant influence over MBH through the power to nominate representatives on their respective boards. During the period, the Group ceased to exercise significant influence over MBH and has reclassified its investment to available-for-sale financial assets and carried at cost less impairment. The net carrying amount of MBH was considered to be nil as at 30 June 2013 and 31 December 2012.

13. Interests in a Joint Venture

During the period, the Group has invested in a joint venture, namely Zhejiang Kandi Electric Vehicles Co., Ltd. ("Zhejiang Kandi"), at an investment cost of RMB500,000,000. At the reporting date, Zhejiang Kandi has not yet commenced its business and the Group's interest in Zhejiang Kandi is approximately 50%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

14. Inventories

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
At costs:		
Raw materials	597,677	788,952
Work in progress	419,005	457,601
Finished goods	929,482	575,734
	1,946,164	1,822,287

15. Trade and Other Receivables

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Trade and notes receivables			
Trade receivables			
– Third parties		1,372,629	1,723,511
– Associates		52,043	55,899
– Related parties controlled by the substantial shareholder of the Company		1,560,173	793,647
		2,984,845	2,573,057
Notes receivable	(a) (b)	6,015,663	8,996,093
		9,000,508	11,569,150
Deposits, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		180,042	170,367
– An associate		59	–
– Related parties controlled by the substantial shareholder of the Company		380,495	499,432
		560,596	669,799
Deposits paid for acquisition of property, plant and equipment		185,976	151,460
VAT and other taxes receivables		911,670	817,491
Utility deposits and other receivables		277,538	242,748
		1,935,780	1,881,498
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	23,860	23,832
Amount due from ultimate holding company	(c)	243	1,152
		1,959,883	1,906,482
		10,960,391	13,475,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

15. Trade and Other Receivables *(Continued)*

(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 reporting dates:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 60 days	1,164,681	598,292
61 – 90 days	211,580	100,895
Over 90 days	332,999	280,370
	1,709,260	979,557

For overseas trade customers, the Group allows credit period of 180 days to over 1 year. The following is an aged analysis of the trade receivables of overseas trade customers based on invoice dates at the reporting dates:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 60 days	233,505	288,305
61 – 90 days	120,291	298,974
91 – 365 days	899,114	858,006
Over 1 year	22,675	148,215
	1,275,585	1,593,500

(b) Notes receivable

All notes receivable are denominated in Renminbi and are notes received from third parties for settlement of trade receivable balances. At 30 June 2013 and 31 December 2012, all notes receivable are guaranteed by established banks in the PRC and have maturities of six months or less from the reporting dates.

(c) Amounts due from related parties/ultimate holding company

The amounts due from related parties/ultimate holding company are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. Convertible Bonds

The convertible bonds (“CB 2014”) contain a liability component and a conversion option which is included in the equity of the Company. Details of the terms of the CB 2014 are set out in the Group’s annual financial statements for the year ended 31 December 2012.

During the year ended 31 December 2012, a partial conversion of CB 2014 in the principal amount of RMB769,834,000 (approximately HK\$873,878,000) were converted by the investors into ordinary shares at a conversion price of HK\$1.8583 per share. No conversion has been made by the investors during the period ended 30 June 2013.

Upon the payment of final dividends for the year ended 31 December 2012 (note 8), the conversion price of CB 2014 was changed from RMB1.637 (or HK\$1.8583) per share to RMB1.622 (or HK\$1.8408) per share from 10 July 2013 in accordance with the provisions of CB 2014.

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

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Liability component		
Carrying amount brought forward	854,590	1,533,889
Accrued effective interest charges	26,666	93,019
Interest paid during the period/year	-	(49,320)
Conversion during the period/year	-	(722,998)
	881,256	854,590
Liability component is represented by:		
Convertible bonds	861,920	848,649
Accrued interests included in trade and other payables	19,336	5,941
	881,256	854,590

The principal amount outstanding at 30 June 2013 is RMB901,313,000 (2012: RMB901,313,000).

CB 2014 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 CB 2014 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 2013

17. Trade and Other Payables

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Trade and notes payables			
Trade payables			
– Third parties		6,904,987	6,792,984
– An associate		238,611	328,735
– Ultimate holding company		3,693	–
– Related parties controlled by the substantial shareholder of the Company		2,171,389	1,682,207
	(a)	9,318,680	8,803,926
Notes payable	(b)	802,536	1,010,912
		10,121,216	9,814,838
Other payables			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		786,663	2,558,109
– Related parties controlled by the substantial shareholder of the Company		134,162	209,127
		920,825	2,767,236
Deferred income related to government grants which conditions have not been satisfied		554,891	223,467
Payables for acquisition of property, plant and equipment		452,122	476,149
Accrued staff salaries and benefits		190,422	257,102
VAT and other taxes payables		740,026	540,115
Dividend payables		261,353	–
Other payables and accrued charges		320,332	578,723
		3,439,971	4,842,792
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	768,592	519,076
Loan from a non-controlling shareholder of a subsidiary of the Group	(d)	6,777	6,688
		4,215,340	5,368,556
		14,336,556	15,183,394

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

17. Trade and Other Payables *(Continued)*

(a) Trade payables

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

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
0 – 60 days	7,139,773	7,293,119
61 – 90 days	1,327,739	847,784
Over 90 days	851,168	663,023
	9,318,680	8,803,926

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

(b) Notes payable

All notes payable are denominated in Renminbi and are notes paid to third parties for settlement of trade payable balances. As at 30 June 2013 and 31 December 2012, all notes payable have maturities of less than 1 year from the reporting dates.

(c) Amounts due to related parties

The amounts due to related parties are unsecured, interest-free and repayable on demand.

(d) 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 6% (2012: 5% to 6.56%) per annum and repayable within one year.

18. Borrowings

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Bank loans secured by the Group's assets	150,000	218,923
Bank loans guaranteed by the ultimate holding company	410,000	995,000
Other bank loans	308,000	268,000
Bank loans, unsecured	324,635	392,010
Total bank borrowings	1,192,635	1,873,933
Loans from government	–	30,000
	1,192,635	1,903,933

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

18. Borrowings (Continued)

At the reporting date, the Group's borrowings were repayable as follows:

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
On demand or within one year	792,635	1,378,933
In the second year	400,000	525,000
	1,192,635	1,903,933
Less: amounts due within one year shown under current liabilities	(792,635)	(1,378,933)
	400,000	525,000

19. Share Capital

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each At 31 December 2012 and 30 June 2013 (Unaudited)	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2012	7,457,460,450	139,573
Shares issued under share option scheme	18,100,000	293
At 30 June 2012	7,475,560,450	139,866
Shares issued under share option scheme	13,605,000	221
Shares issued upon conversion of convertible bonds	470,256,584	7,618
Shares issued upon exercise of warrants	299,526,900	4,852
At 31 December 2012 and 1 January 2013	8,258,948,934	152,557
Shares issued under share option scheme	14,330,000	232
At 30 June 2013 (Unaudited)	8,273,278,934	152,789

During the period, options were exercised to subscribe for 14,330,000 ordinary shares in the Company at a consideration of approximately RMB10,679,000, of which approximately RMB232,000 was credited to share capital and the balance of RMB10,447,000 was credited to the share premium account. As a result of the exercise of options, RMB2,251,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in the Group's annual financial statements for the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. Disposal of Subsidiaries

In February 2013, the Group disposed of its 51% indirect interest in Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") to Shanghai Maple Automobile Company Limited, a related company controlled by the substantial shareholder of the Company, and disposed of the entire interest in Shanghai Maple Automobile Moulds Manufacturing Company Limited ("Shanghai Maple Moulds"), a wholly owned subsidiary of Shanghai LTI, to an independent third party. The considerations of the disposal of Shanghai LTI and Shanghai Maple Moulds were RMB173,350,000 and RMB50,000,000 respectively. The disposals of Shanghai LTI and Shanghai Maple Moulds were completed in June and February 2013, respectively.

	RMB'000
Aggregated net assets disposed of:	
Property, plant and equipment	201,718
Intangible assets	36,483
Inventories	81,325
Trade and other receivables	357,910
Bank balances and cash	9,699
Trade and other payables	(305,045)
Taxation	(1,036)
	381,054
Net gain on disposal of subsidiaries:	
Cash consideration received/receivable	223,350
Net assets disposed of	(381,054)
Non-controlling interests	162,972
	5,268
Aggregated net cash inflow arising on disposal:	
Cash consideration received (note)	173,350
Bank balances and cash disposed of	(9,699)
	163,651

Note: The consideration for the disposal of Shanghai Maple Moulds was included under other receivables of Shanghai LTI.

21. Commitments

Capital expenditure commitments

At the reporting date, the Group had the following capital commitments:

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and machinery	753,714	582,993
– purchase of intangible assets	4,500	4,500
– investment in associates	33,636	71,616
– investment in available-for-sale financial assets	5,400	5,400
	797,250	664,509

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

21. Commitments (Continued)

Operating lease commitments

At the reporting 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:

	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Office and factory premises		
Within one year	6,522	8,429
In the second to fifth year inclusive	2,578	4,014
	9,100	12,443
Other assets		
Within one year	2,284	2,082
In the second to fifth year inclusive	2,269	1,613
	4,553	3,695
	13,653	16,138

Leases are negotiated and rentals are fixed for an average term of four (2012: four) years.

22. 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\$25,000 (prior to 1 June 2012: 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 a fixed percentage 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 2013, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB69,852,000 (Six months ended 30 June 2012: RMB57,872,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. Share-based Payment Transactions

The Company has operated a share option scheme for eligible employees of the Group. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2012.

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 if the grantee remains as an employee of the Group. 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:

2013 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Transfer upon resignation	Outstanding at 30 June	Exercise date	Weighted average share price at exercise date HK\$
Directors	18 January 2010 to 17 January 2020	4.07	80,500,000	-	-	(11,000,000)	(11,000,000)	58,500,000		
	23 March 2012 to 22 March 2022	4.07	12,000,000	-	-	-	-	12,000,000		
			92,500,000	-	-	(11,000,000)	(11,000,000)	70,500,000		
Employees	8 May 2008 to 7 May 2013	0.92	14,330,000	-	(14,330,000)	-	-	-	3 January 2013 to 30 April 2013	3.70
	18 January 2010 to 17 January 2020	4.07	359,400,000	-	-	(11,050,000)	11,000,000	359,350,000		
	21 April 2010 to 20 April 2020	4.07	14,400,000	-	-	-	-	14,400,000		
	23 March 2012 to 22 March 2022	4.07	12,000,000	-	-	-	-	12,000,000		
	25 June 2012 to 24 June 2022	4.07	9,000,000	-	-	-	-	9,000,000		
	17 January 2013 to 16 January 2023	4.11	-	4,100,000	-	-	-	4,100,000		
			501,630,000	4,100,000	(14,330,000)	(22,050,000)	-	469,350,000		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. Share-based Payment Transactions (Continued)

2012 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised 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	11,000,000	-	(11,000,000)	-	13 March 2012	3.04
	18 January 2010 to 17 January 2020	4.07	80,500,000	-	-	80,500,000		
	23 March 2012 to 22 March 2022	4.07	-	12,000,000	-	12,000,000		
			91,500,000	12,000,000	(11,000,000)	92,500,000		
Employees	18 September 2007 to 17 September 2012	1.06	5,000,000	-	(1,000,000)	4,000,000	13 March 2012	3.34
	8 May 2008 to 7 May 2013	0.92	30,035,000	-	(6,100,000)	23,935,000	22 January 2012 to 24 June 2012	3.12
	18 January 2010 to 17 January 2020	4.07	397,700,000	-	-	397,700,000		
	21 April 2010 to 20 April 2020	4.07	15,900,000	-	-	15,900,000		
	23 March 2012 to 22 March 2022	4.07	-	12,000,000	-	12,000,000		
	25 June 2012 to 24 June 2022	4.07	-	9,000,000	-	9,000,000		
			540,135,000	33,000,000	(18,100,000)	555,035,000		

During the six months ended 30 June 2013, 4,100,000 options were granted on 17 January 2013 with estimated total fair values of approximately RMB9 million. The closing price of the Company's shares immediately before the date on which the options granted were HK\$4.10. The exercise price of the share options granted is HK\$4.11 per share. The share options are valid for a period of 10 years from 17 January 2013 to 16 January 2023 and 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. Share-based Payment Transactions (Continued)

The fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

Grant date	17 January 2013
Exercise price	HK\$4.11
Expected volatility	53.94%
Expected life	10 years
Risk-free rate	0.91%
Expected dividend yield	0.68%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

During the six months ended 30 June 2012, 24,000,000 options and 9,000,000 options were granted on 23 March 2012 and 25 June 2012 with estimated total fair values of approximately RMB43 million and RMB11 million respectively. Details of the terms of these options have been set out in the Group's annual financial statements for the year ended 31 December 2012.

The Group recognised a total of RMB46,019,000 (Six months ended 30 June 2012: RMB63,660,000) as administrative expenses for the six months ended 30 June 2013 in relation to share options granted by the Company, and the share-based payment expenses were shown as a separate item line on the face of the condensed consolidated income statement.

24. Related Party Transactions

In addition to the transactions/information disclosed elsewhere in these condensed consolidated financial report, 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	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Related companies (Note (i))			
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	5,180,573	3,887,284
	Sales of automobile parts and components	1,752	1,541
	Claims income on defective materials purchased	19,147	27,136
	Purchase of complete buildup units	5,450,594	4,063,774
	Purchase of automobile parts and components	-	196
	Sub-contracting fee paid	15,776	8,970
	Claims paid on defective materials sold	23,421	28,492
	Acquisition of property, plant and equipment	79	68
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	1,103,259	1,332,412
	Sales of automobile parts and components	43	7,591
	Claims income on defective materials purchased	1,682	10,978
	Purchase of complete buildup units	1,156,260	1,331,691
	Claims paid on defective materials sold	1,384	7,125
	Purchase of automobile parts and components	-	91
Disposal of a subsidiary (Note 20)	173,350	-	

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For the six months ended 30 June 2013

24. Related Party Transactions (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Related companies (Note (i))			
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	3,925,860	3,687,344
	Sales of automobile parts and components	381	702
	Claims income on defective materials purchased	30,405	33,105
	Purchase of complete buildup units	4,059,371	3,887,542
	Purchase of automobile parts and components	749	1,204
	Sub-contracting fee paid	24,600	24,257
	Claims paid on defective materials sold	27,875	32,870
	Acquisition of property, plant and equipment	1,212	725
	Acquisition of additional interest in subsidiaries (Note (ii))	-	215,386
	Sale of property, plant and equipment	-	620
	Rental income	461	461
Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司)	Sales of automobile parts and components	5,194	170
	Claims income on defective materials purchased	3,768	18,375
	Purchase of automobile parts and components	2,125,927	2,979,045
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	3	3,051
	Purchase of automobile parts and components	-	329,442
	Sales of automobile parts and components	165	-
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of complete buildup units	44,228	34,353
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	14,919	9,034
Chengdu New Land Automobile Co., Ltd (成都新大地汽車有限責任公司)	Sales of complete knock down kits and sedan tool kits	1,902,803	574,468
	Claims income on defective materials purchased	9,922	7
	Purchase of complete buildup units	1,964,908	588,991
Zhejiang Geely Automobile Industry School (浙江吉利汽車工業學校)	Rental income	-	2,680
Non-controlling shareholder of the subsidiary			
Kailun (Qufu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	327	98
Associate			
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	174,179	186,658
	Sale of property, plant and equipment	-	1,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

24. Related Party Transactions (Continued)

(a) Transactions (Continued)

Notes:

- (i) The Group and the related companies are under the common control of the substantial shareholder of Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), the Company's ultimate holding company.
- (ii) In 2011, the Group entered into agreements with Zhejiang Geely Holding Group Company Limited and its subsidiaries to acquire additional 8% interest in certain of the Group's subsidiaries increasing each of its equity interest from 91% to 99%. Details of the acquisition have been set out in the Company's announcement dated 25 November 2011.

The acquisition of additional 8% interest in Shanghai Maple Guorun Automobile Company Limited, Hunan Geely Automobile Components Company Limited and Zhejiang Jirun Automobile Company Limited were completed in 2011. While the remaining acquisition of additional 8% interest in Zhejiang Kingkong Automobile Company Limited and Zhejiang Ruhoo Automobile Company Limited were completed in 2012.

(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	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	18,356	18,216
Retirement benefits scheme contributions	599	1,173
Share-based payments	46,019	63,660
	64,974	83,049

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 2013

25. Fair Value Measurements of Financial Instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

	Fair value measurements as at 30 June 2013 using		
	Fair value at 30 June 2013 RMB'000 (Unaudited)	Quoted prices in active market for identical assets (Level 1) RMB'000 (Unaudited)	Significant other observable inputs (Level 2) RMB'000 (Unaudited)
Recurring fair value measurement			
Financial assets:			
Financial assets at fair value through profit or loss			
– Listed equity securities held for trading	13,407	13,407	–
Available-for-sale financial assets			
– Listed debt security	2,259	–	2,259

	Fair value measurements as at 31 December 2012 using		
	Fair value at 31 December 2012 RMB'000 (Audited)	Quoted prices in active market for identical assets (Level 1) RMB'000 (Audited)	Significant other observable inputs (Level 2) RMB'000 (Audited)
Recurring fair value measurement			
Financial assets:			
Financial assets at fair value through profit or loss			
– Listed equity securities held for trading	12,676	12,676	–
Available-for-sale financial assets			
– Listed debt security	2,311	–	2,311

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (Six months ended 30 June 2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation technique and inputs used in Level 2 fair value measurements

Fair value of available-for-sale financial assets is determined with reference to fair value estimated by independent professionals, which are based on quoted market prices on listed investments or the present value of the estimated future cash flows discounted at the effective interest rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

25. Fair Value Measurements of Financial Instruments *(Continued)*

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2013		At 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Convertible bonds	861,920	789,815	848,649	833,492

26. Comparative Figures

As a result of the application of HKFRS 13, the change in presentation on bank and other interest income and the change in segment presentation, certain comparatives have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2013. Further details of these developments are disclosed in notes 2, 3 and 4 to this Interim Financial Report.

MANAGEMENT DISCUSSION AND ANALYSIS

2013 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 2013. 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 Hong Kong Limited.

Overall Performance

The Group’s performance in the first half of 2013 was better than expectations on the back of stronger demand for motor vehicles in China during the period. In particular, the sales volume of local brand sedans in China continued to recover in the first half of 2013, up 13% from the previous year, compared with 7% decline in the same period last year. As a result, the Group’s sales volume in the China market was up 17% from the same period in 2012. The Group’s export sales volume continued to be strong, up 26% to 50,438 units in the first half of 2013 despite signs of weakening demand in some of the Group’s major export markets in Eastern Europe. Overall, the Group sold a total of 263,544 units of vehicles in the first six months of 2013, up 19% from the same period in the previous year, achieving 47% of the Group’s full year sales volume target of 560,000 units. Total revenues increased by 33% to RMB14.9 billion, reflecting stable product prices and continued improvement in product mix during the period. Profit attributable to the equity holders of the Company for the first half of 2013 was up 37% to RMB1,398 million. During the period, benefits from better product mix and thus higher gross margins were partly offset by lower subsidy incomes and higher administrative expenses, principally driven by rising research & development (R&D) costs, depreciation and amortization expenses and higher exchange losses during the period. Fully diluted earnings per share (EPS) was up 29% to RMB16.16 cents.

Financial Resources

The Group’s financial position continued to be very strong at the end of the first half of 2013 due to the continued good operational cash inflow from its manufacturing operation and the reduction in working capital (inventories + trade and other receivables – trade and other payables), which improved from RMB115 million at the end of 2012 to negative RMB1,430 million at the end of June 2013. The Group’s total cash level (cash and bank balances + pledged

bank deposits) increased by 29% from the end of 2012 to RMB5,787 million at the end of June 2013, while its bank borrowings decreased by 37% to RMB1,193 million during the same period. Net cash on hand (total cash level – bank borrowings – convertible bonds) amounted to RMB3,732 million, the highest level in the Group’s history. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of June 2013 amounted to RMB5,213 million, which could provide the Group with additional cash reserves when needed through discounting the notes with the banks.

Vehicle Manufacturing

The Group sold a total of 263,544 units of vehicles in the first half of 2013, up 19% from the same period last year, helped by the strong demand for the “EC7” model, the recovery of sales volume of “Geely Panda”, “Vision”, “GC7” in China market, new contribution from Sport Utility Vehicle (SUV) models and the continued growth in export sales, which more than offset the drop in the sales of older models like “Free Cruiser” and “Kingkong” during the period.

The Group’s domestic sales volume in the first half of 2013 was up 17% to 213,106 units, better than the overall passenger vehicle market in China, which was up 14% during the period. The Group’s market share in China’s passenger vehicle market was stable at 3% in the first half of 2013, as higher market share at sedan segment was offset by lower market share in both SUV and Multi-Purpose Vehicle (MPV) segments, where the Group has relatively weak market coverage. Exports sales volume continued to grow well and was up 26% to 50,438 units in the first half of 2013, thanks to the strong demand and higher market shares achieved by the Group’s products in some of its major export markets like Russia and Ukraine. Exports sales accounted for 19% of the Group’s total sales volume in the first half of 2013, compared with 18% in the same period in 2012.

Amongst the Group’s three brand divisions: “GLEagle”, “Emgrand” and “Englon”, “GLEagle” branded vehicles remained the most important in terms of sales volume and accounted for 36% of the Group’s total sales volume in the first half of 2013. “Emgrand” branded vehicles, however, continued to achieve the fastest growth in sales volume during the same period. Sales volume of vehicles under “Emgrand” brand was up 33% over the same period in previous year to 92,344 units in the first half of 2013.

“EC7” continued to be the star performer and achieved strong growth with its sales volume up 41% to 86,103 units in the first half of 2013, helped by the increased output at

MANAGEMENT DISCUSSION AND ANALYSIS

new Cixi plant and strong demand in export markets. The model continued to be the Group's best-selling model, accounting for 33% of the Group's total sales volume during the period. This was despite the major demand constraints caused by the continued lack of AT (automatic transmission) versions of "EC7" during the period. Aging models like "Free Cruiser" and "Kingkong" continued their downward trends in the first half of 2013. Their sales volume declined by 39% and 40% respectively from the same period in the previous year.

Demand for "Geely Panda" and "Vision" recovered considerably in the first half of 2013, helped by intensive marketing and more flexible pricing strategy during the period. The sales of "GC7" continued to improve with sales volume up 35% to 10,474 units in the first half of 2013. The sales performance of "SC7" and "EC8", however, has been less than satisfactory, ahead of the planned launches of their upgraded models in 2014. The demand for the two new models launched in the second half of 2012: The "SC3" and "SC6" was in line with the Group's expectations. Although the models represent the Group's first entry into the fast growing SUV market in China, "GX7" and "SX7" have received encouraging market response and their sales performance in the first half of 2013 exceeded the management's original expectations, achieving a total monthly sales volume of close to 5,000 units in the first half of 2013. As a result of the continued improvement in product mix, driven by higher sales volume of "EC7" and the SUV models, the Group's ex-factory average sales price rose by 11% during the first half of 2013, making the first half of 2013 one of the best periods in the Group's history in terms of average sales price improvement.

The Group conducts its business under three independent product lines and brands: "GLEagle", "Emgrand" and "Englon", all of which have their own management teams and distribution networks. At the end of June 2013, the Group's three independent sales networks in China comprised a total of 1,068 shops, including 688 4S stores and 380 exclusive franchisee stores.

In April 2013, the Group's "SC515" model achieved a 5-star rating with the highest score of 55.4 amongst all local brand models participating in the C-NCAP crash test, reflecting the Group's leading position in terms of vehicle safety in China's automobile industry.

Following the positive results achieved by the Group's three brands in last year's J.D.Power Automotive Customer Satisfaction Studies in China, the Group's effort in improving customer satisfaction and service standards continued to yield positive results in the same studies conducted in 2013.

In "J.D.Power Asia Pacific 2013 China Sales Satisfaction Index (SSI) StudySM", the Group's "GLEagle" and "Emgrand" brands achieved significant improvement in their rankings and both scored above the overall industry average in the annual study of customer satisfaction with sales and purchase experience. "GLEagle" ranked number 12 and "Emgrand" ranked number 15 among the 47 mass market brands included in the 2013 study. Amongst the domestic brands in China, "GLEagle" ranked number two, followed by "Emgrand", which ranked number four. "GLEagle" scored 651 points (on a 1,000-point scale) and "Emgrand" scored 647 points in the study, compared with the overall satisfaction score of 647 points in the mass market segment.

In addition to the remarkable improvement in sales satisfaction, the Group's ranking in after-sales satisfaction continued to improve in 2013. In "J.D.Power Asia Pacific 2013 China Customer Service Index (CSI) StudySM", which analyzed after-sales dealer service satisfaction by vehicle owners, all the Group's three brands, "Englon", "GLEagle" and "Emgrand" continued to score significantly higher than the industry average. Amongst all the local brands in China, "Englon" ranked number one, followed by "GLEagle", which ranked number three, and "Emgrand" ranked number six. In terms of overall ranking, "Englon" achieved number 9 position among the 71 passenger vehicle brands examined by the study, only behind eight major international brands.

New Products

The Group launched its second SUV model "SX7" in March 2013. As "SX7" shares the same production facilities of "GX7" at the Chengdu plant, its monthly sales volume therefore remains relatively low at less than 1,000-2,000 units before the expansion at Chengdu plant could be completed in the summer of 2013. In the coming year, the Group plans to launch the following new products:

- "EX8" high-end SUV
- "SC5" basic family sedan
- New version of Kingkong Hatchback
- New version of "SC7"
- New version of "EC7" and "EC7-RV"
- New version of "EC8"
- New version of "GX7" and "SX7"
- New version of "GC7"
- Small size SUVs

In addition, the Group is preparing for the commercial launches of a series of new energy vehicles in the coming year in view of the expected increase in demand for these vehicles in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Exports

The Group exported a total of 50,438 units of vehicles in the first six months of 2013, up 26% from the same period last year, and accounted for 19% of the Group's total sales volume during the period. The Group's share of China's total exports of sedans and SUVs was maintained at around 19% in the first half of 2013. "Emgrand 7" ("EC7") surpassed "Geely MK" ("Kingkong") to become the most popular export models in terms of sales volume in the first half of 2013, reflecting the improvement of the Group's product mix in the export market, which was in line with the trend in the domestic market. Export volume of "Emgrand 7" grew by 125% to 23,370 units and accounted for 46% of the Group's total export sales volume during the first six months of 2013. The Group also started to export its first SUV model "Emgrand X7" ("GX7") with a total export volume of 2,178 units in the first half of 2013.

Developing countries in the Middle East, Eastern Europe and Central and Southern America remain the most important markets for the Group's exports. Amongst which, the most important export destinations in terms of sales volume were Russia, Saudi Arabia and Ukraine, which together accounting for 60% of the Group's total exports volume in the first half of 2013. In addition to direct imports from its plants in China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners in Russia, Ukraine, Indonesia, Sri Lanka, Ethiopia, Uruguay and Egypt.

Key focus of the Group's export business in 2013 is the localization of production in some of its major export markets. To improve the Group's market penetration in Central and Southern American market, the Group completed the construction of a new assembly plant in Uruguay in cooperation with a local partner during the first half of 2013. With an annual production capacity of 20,000 units, the new plant has started assembling "Geely LC" ("Geely Panda") and "Emgrand 7" ("EC7") for sales in the Central and Southern American market.

To improve the Group's competitiveness in the Eastern European market, the Group has set up an assembly joint-venture in Belarus called "BelGee". The 32.5%-owned joint-venture (JV) was officially set up in July 2013. The other shareholders of the joint-venture include: Belarusian Autoworks ("BelAZ") (50%) and Soyuzautotehnologii ("SOYUZ") (17.5%). With an initial production capacity of 10,000 units per annum, the JV started trial production of Geely SL "SC7" in March 2013. The planned eventual annual production capacity of the JV would be 120,000 units for the assembly and manufacturing of additional models like "GX7", "SC5", and "Geely Panda".

Outlook

The economic environment in most of our major markets is expected to become more difficult in the second half of 2013, meaning that our operating environment should remain challenging in the remainder of the year. Competitive pressure on domestic brands in the China market should increase considerably in the coming years as most major international brands are strengthening their presence in the China market through more product offerings, adding new production capacity and improving their marketing and customer services. Moreover, the introduction of more stringent automobile warranty policy in China in October 2013 could create additional cost pressure to the Group. Further, the current weakening of emerging market currencies against US\$ and RMB could also affect the Group's export sales in the remainder of the year.

On the positive front, the Group's competitive advantages, however, have improved significantly following the initial success of its "Strategic Transformation" in the areas of brand image, product quality, technology and innovation, putting the Group in a stronger position to meet with the challenges. Also, the Group's financial position has improved further during the past six months, thus allowing the Group to continue to invest for the future, further enhancing its core strengths in product platform and power-train technologies. In addition, the Group has achieved remarkable results in improving customer satisfaction with both sales and after-sales service experience as indicated by the recent results of J.D.Power Customer Satisfaction Studies in China. We believe the Group's progress in improving customer satisfaction should help to improve brand loyalty to the Group and thus sustain our growth in the China market.

With a series of major structural changes implemented in the Group's product development and sales/marketing functions over the past few months, 2013 will definitely become a benchmark year in the Group's on-going "Strategic Transformation". The Group's cooperation with Volvo Car Corporation ("Volvo Car") has already started across different functional units, enabling the Group to further optimizing resource utilization, and speeding up the implementation of platform strategy, standardization, and shared modularization in product development, and thereby giving the Group a strong and unique advantage over its competitors. With the new product platforms, new powertrains and high standard new production facilities under development, the Group is confident to deliver quality products and outstanding customer satisfaction and experience, thus allowing the Group to participate in global competition with confidence and to achieve sustainable, long-lasting and stable growth and development in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite fierce competition in China's automobile market and sign of deteriorating market condition in some of its major export markets in the first half of 2013, the Group still achieved its original performance plan and targets set for the period. As a result, the Group's management team decided to keep our 2013 sales volume target of 16% growth to 560,000 units unchanged.

Capital Structure and Treasury Policies

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, shareholders' loan from the its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2013, the Group's shareholders' fund amounted to approximately RMB14.0 billion (As at 31 December 2012: approximately RMB12.9 billion). Upon exercise of share options, 14.33 million new shares were issued by the Group during the first six months ended 30 June 2013.

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 in Renminbi, the functional currency of the Group.

Liquidity and Financial Resources

As at 30 June 2013, the Group's current ratio (current assets/current liabilities) was 1.22 (As at 31 December 2012: 1.19) and the gearing ratio of the Group was 14.7% (As at 31 December 2012: 21.4%) 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 2013 amounted to approximately RMB2.1 billion (As at 31 December 2012: approximately RMB2.8 billion) were mainly the Company's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on early redemption or maturity. For the bank borrowings, they were mostly secured, interest-bearing and repaid on maturity. 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 2013, the total number of employees of the Group was about 18,375 (As at 31 December 2012: approximately 18,512). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

Directors' and Chief Executives' Interests and Short Positions in the Securities of the Company and its Associated Corporations

As at 30 June 2013, 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 Director	Capacity	Number of securities in the Company		Shareholding percentage (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporation	3,751,159,000	–	45.34
Mr. Yang Jian	Personal	8,000,000	–	0.10
Mr. Gui Sheng Yue	Personal	11,800,000	–	0.14
Mr. An Cong Hui	Personal	6,000,000	–	0.07
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Share options				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.15
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.14
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.11
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.13
Mr. Li Dong Hui, Daniel	Personal	7,000,000 (Note 3)	–	0.08
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.11
Ms. Wei Mei	Personal	3,000,000 (Note 2)	–	0.04
Ms. Wei Mei	Personal	5,000,000 (Note 3)	–	0.06
Mr. Song Lin	Personal	1,000,000 (Note 2)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	–	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 45.34% of the issued share capital of the Company as at 30 June 2013. 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 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 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 2013.
- (3) This interest relates to share options granted on 23 March 2012 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 23 March 2012 to 22 March 2022. 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 2013.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely 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 Shu Fu and his associate.
- (3) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") 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") is incorporated in the PRC and is 1% directly owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly 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 1% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly 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 1% 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 1% 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 1% 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.

Save as disclosed above, as at 30 June 2013, 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 2013, the Directors and chief executive of the Company have the following options to subscribe for

the shares of the Company under the Company's old share options scheme approved and adopted on 31 May 2002:

Name of Director	Outstanding Options as at 30 June 2013	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. An Cong Hui	9,000,000	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. Li Dong Hui, Daniel	7,000,000	23.3.2012	23.3.2012 – 22.3.2022	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
Ms. Wei Mei	5,000,000	23.3.2012	23.3.2012 – 22.3.2022	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

70,500,000

Share Option Scheme

A share option scheme ("Old Share Option Scheme") of the Company was approved and adopted on 31 May 2002, which is valid and effective for a period of ten years from the date of adoption. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted by the Company. The New Share Option Scheme replaced the Old Share Option Scheme. After the adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated and no further options can be granted under it.

Pursuant to the New Share Option 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 Old Share Option Scheme were disclosed in the Company's 2012 annual report.

Based on the Company's records as at 30 June 2013, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 398,850,000 share options were granted by the Company to the employees and remain outstanding.

Interim Dividend

At a meeting of the Board held on 22 August 2013, the Directors resolved not to pay an interim dividend to the shareholders of the Company (2012: 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:

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Transactions

Connected parties	Nature of transactions	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Related companies (Note 1)			
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	5,180,573	3,887,284
	Sales of automobile parts and components	1,752	1,541
	Claims income on defective materials purchased	19,147	27,136
	Purchase of complete buildup units	5,450,594	4,063,774
	Purchase of automobile parts and components	-	196
	Sub-contracting fee paid	15,776	8,970
	Claims paid on defective materials sold	23,421	28,492
	Acquisition of property, plant and equipment	79	68
	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	1,103,259
Sales of automobile parts and components		43	7,591
Claims income on defective materials purchased		1,682	10,978
Purchase of complete buildup units		1,156,260	1,331,691
Claims paid on defective materials sold		1,384	7,125
Purchase of automobile parts and components		-	91
Disposal of a subsidiary		173,350	-
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	3,925,860	3,687,344
	Sales of automobile parts and components	381	702
	Claims income on defective materials purchased	30,405	33,105
	Purchase of complete buildup units	4,059,371	3,887,542
	Purchase of automobile parts and components	749	1,204
	Sub-contracting fee paid	24,600	24,257
	Claims paid on defective materials sold	27,875	32,870
	Acquisition of property, plant and equipment	1,212	725
	Acquisition of additional interest in subsidiaries (Note 2)	-	215,386
	Sale of property, plant and equipment	-	620
	Rental income	461	461
Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司)	Sales of automobile parts and components	5,194	170
	Claims income on defective materials purchased	3,768	18,375
	Purchase of automobile parts and components	2,125,927	2,979,045
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	3	3,051
	Purchase of automobile parts and components	-	329,442
	Sales of automobile parts and components	165	-
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of complete buildup units	44,228	34,353
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	14,919	9,034

MANAGEMENT DISCUSSION AND ANALYSIS

Connected parties	Nature of transactions	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Chengdu New Land Automobile Co., Ltd (成都新大地汽車有限責任公司)	Sales of complete knock down kits and sedan tool kits	1,902,803	574,468
	Claims income on defective materials purchased	9,922	7
	Purchase of complete buildup units	1,964,908	588,991
Zhejiang Geely Automobile Industry School (浙江吉利汽車工業學校)	Rental income	-	2,680
Non-controlling shareholder of the subsidiary			
Kailun (Qufu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	327	98
Associate			
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	174,179	186,658
	Sale of property, plant and equipment	-	1,397

Notes:

- The Group and the related companies are under the common control of the substantial shareholder of Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), the Company's ultimate holding company.
- In 2011, the Group entered into agreements with Zhejiang Geely Holding Group Company Limited and its subsidiaries to acquire additional 8% interest in certain of the Group's subsidiaries increasing each of its equity interest from 91% to 99%. Details of the acquisition have been set out in the Company's announcement dated 25 November 2011.

The acquisition of additional 8% interest in Shanghai Maple Guorun Automobile Company Limited, Hunan Geely Automobile Components Company Limited and Zhejiang Jirun Automobile Company Limited were completed in 2011. While the remaining acquisition of additional 8% interest in Zhejiang Kingkong Automobile Company Limited and Zhejiang Ruhoo Automobile Company Limited were completed in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2013, the following persons (other than the Directors or the chief executive 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	Lending pool	
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	–	–	29.76
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	–	–	45.34
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	–	9.38
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	–	0.001
	Interest in controlled corporation	2,462,400,000	–	–	29.76
The Goldman Sachs Group, Inc.	Interest in controlled corporation	666,019,839	–	–	8.05
Gehele Investment Holdings (Delaware) LLC	Beneficial owner	529,589,695	–	–	6.40
Gehele Investment Parallel Holdings	Beneficial owner	152,991,322	–	–	1.85
JPMorgan Chase & Co.	Beneficial owner	430,337,328	–	–	5.20
		–	76,740,000	–	0.93
		–	–	162,627,506	1.97

Notes:

- Proper Glory Holding Inc. ("Proper Glory") 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.
- Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly 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 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 2013 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 2013.

Corporate Governance

The Company has met with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2013, except for CPs E.1.2 and A.6.7 as explained below:

CP E.1.2 provides that the Chairman of the Board, whereas the CP A.6.7 stipulates the Non-executive Director and Independent Non-executive Directors, shall attend the general meetings 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 the annual general meeting of the Company held on 16 May 2013 in Hong Kong ("AGM"). The Non-executive Director and two Independent Non-executive Directors were also unable to attend the AGM due to business engagement outside Hong Kong. Despite this, the Company had provided another gateway via conference call for the Company's shareholders to directly discuss with the Directors attending the AGM and ensure their views are properly channeled to the Board as a whole.

An Executive Director, an Independent Non-executive Director and the representatives from the Company's external auditors – Grant Thornton Hong Kong Limited, attended the AGM in person; whereas four Executive Directors and two Independent Non-executive Directors attended the AGM via conference call for direct communication with the Company's shareholders.

In the interim period under review, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by officer ("Code"). All Directors have confirmed their compliance during the review period with the required standards set out in both the Model Code and the Code.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. As at 30 June 2013, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin, Yeung Sau Hung, Alex, Fu Yu Wu and Wang Yang 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 2013