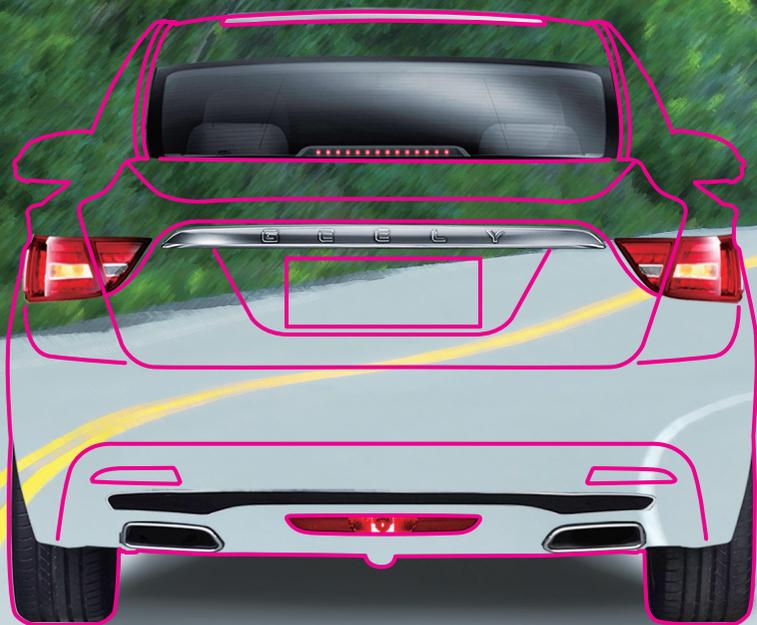


Interim Report 2015

# Dynamic, Refined, Confident and Inspiring



## GEELY

**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. 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. Yeung Sau Hung, Alex  
Mr. Fu Yu Wu  
Mr. An Qing Heng  
Mr. Wang Yang

### Audit Committee:

Mr. Lee Cheuk Yin, Dannis (*Committee's Chairman*)  
Mr. Yeung Sau Hung, Alex  
Mr. Fu Yu Wu  
Mr. An Qing Heng  
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. Yeung Sau Hung, Alex  
Mr. Lee Cheuk Yin, Dannis  
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 N.A

### Head Office and Principal Place of Business:

Room 2301, 23rd Floor, Great Eagle Centre,  
23 Harbour Road, Wanchai,  
Hong Kong  
Telephone: (852) 2598-3333  
Facsimile: (852) 2598-3399  
Email: [general@geelyauto.com.hk](mailto:general@geelyauto.com.hk)

### Registered Office:

P.O. Box 309, Ugland House,  
Grand Cayman, KY1-1104,  
Cayman Islands

### Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited  
A18/F., Asia Orient Tower, Town Place,  
33 Lockhart Road, Wanchai, Hong Kong

### Investor & Media Relations:

Prime International Consultants 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 34 which comprise the condensed consolidated statement of financial position of Geely Automobile Holdings Limited as of 30 June 2015 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*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

19 August 2015

### **Chiu Wing Ning**

Practising Certificate No.: P04920

# CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Turnover/Revenue</b>		<b>13,806,810</b>	10,158,351
Cost of sales		<b>(11,371,818)</b>	(8,092,446)
<b>Gross profit</b>		<b>2,434,992</b>	2,065,905
Other income	4	<b>650,076</b>	554,405
Distribution and selling expenses		<b>(782,075)</b>	(556,708)
Administrative expenses, excluding share-based payments		<b>(558,924)</b>	(598,982)
Share-based payments		<b>(29,034)</b>	(31,089)
Finance costs, net	5	<b>(21,043)</b>	(2,755)
Share of results of associates		<b>22,796</b>	(5,249)
Share of results of joint ventures		<b>20,646</b>	7,330
<b>Profit before taxation</b>		<b>1,737,434</b>	1,432,857
Taxation	6	<b>(317,887)</b>	(307,230)
<b>Profit for the period</b>	5	<b>1,419,547</b>	1,125,627
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,404,595</b>	1,113,439
Non-controlling interests		<b>14,952</b>	12,188
		<b>1,419,547</b>	1,125,627
<b>Earnings per share</b>			
Basic	8	<b>RMB15.96 cents</b>	RMB12.65 cents
Diluted	8	<b>RMB15.90 cents</b>	RMB12.65 cents

The notes on pages 10 to 34 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period</b>	<b>1,419,547</b>	1,125,627
<b>Other comprehensive income for the period:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	<b>(5,072)</b>	33,230
Loss arising on revaluation of available-for-sale financial assets	-	(8)
<b>Total comprehensive income for the period</b>	<b>1,414,475</b>	1,158,849
<b>Attributable to:</b>		
Equity holders of the Company	<b>1,399,544</b>	1,146,661
Non-controlling interests	<b>14,931</b>	12,188
	<b>1,414,475</b>	1,158,849

The notes on pages 10 to 34 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

	Note	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	7,389,290	5,860,705
Intangible assets	11	4,565,706	4,208,230
Prepaid land lease payments		1,560,806	1,131,286
Goodwill		2,584	6,222
Interests in associates	12	274,878	252,082
Interests in joint ventures	13	1,616,331	438,547
Available-for-sale financial assets		28,270	28,270
Deferred tax assets		56,050	51,709
		<b>15,493,915</b>	11,977,051
<b>Current assets</b>			
Prepaid land lease payments		37,156	28,758
Inventories	14	1,507,085	1,619,505
Trade and other receivables	15	14,716,925	16,385,192
Financial assets at fair value through profit or loss		16,796	15,294
Tax recoverable		22,919	3,723
Pledged bank deposits		65,848	47,451
Bank balances and cash		7,822,502	7,203,176
		<b>24,189,231</b>	25,303,099
Assets held for sale	9	203,636	–
		<b>24,392,867</b>	25,303,099
<b>Current liabilities</b>			
Trade and other payables	17	18,622,692	17,016,666
Taxation		248,182	136,645
Borrowings	18	300,000	691,616
		<b>19,170,874</b>	17,844,927
<b>Net current assets</b>		<b>5,221,993</b>	7,458,172
<b>Total assets less current liabilities</b>		<b>20,715,908</b>	19,435,223

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2015

	Note	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	19	161,351	161,346
Reserves		18,382,354	17,126,650
<hr/>			
Equity attributable to equity holders of the Company		18,543,705	17,287,996
Non-controlling interests		202,525	178,354
<hr/>			
<b>Total equity</b>		<b>18,746,230</b>	17,466,350
<hr/>			
<b>Non-current liabilities</b>			
Senior notes	16	1,807,372	1,820,138
Deferred tax liabilities		162,306	148,735
<hr/>			
		1,969,678	1,968,873
<hr/>			
		20,715,908	19,435,223
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\_\_\_\_\_  
**Li Shu Fu**  
Director

\_\_\_\_\_  
**Gui Sheng Yue**  
Director

The notes on pages 10 to 34 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

	Attributable to equity holders of the Company										
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option 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 2014	161,346	5,815,964	88,059	106,113	22,284	524,353	(52)	9,349,957	16,068,024	161,667	16,229,691
Profit for the period	-	-	-	-	-	-	-	1,113,439	1,113,439	12,188	1,125,627
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	33,230	-	-	-	33,230	-	33,230
Loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	-	(8)	-	(8)	-	(8)
Total comprehensive income for the period	-	-	-	-	33,230	-	(8)	1,113,439	1,146,661	12,188	1,158,849
Transactions with owners:											
Recognition of share-based payments	-	-	-	-	-	31,089	-	-	31,089	-	31,089
Transfer upon forfeiture of share options	-	-	-	-	-	(9,822)	-	9,822	-	-	-
Final dividend declared and approved in respect of the previous year	-	-	-	-	-	-	-	(319,845)	(319,845)	-	(319,845)
Total transactions with owners	-	-	-	-	-	21,267	-	(310,023)	(288,756)	-	(288,756)
Balance at 30 June 2014	161,346	5,815,964	88,059	106,113	55,514	545,620	(60)	10,153,373	16,925,929	173,855	17,099,784
<b>Balance at 1 January 2015</b>	<b>161,346</b>	<b>5,815,964</b>	<b>164,790</b>	<b>106,113</b>	<b>(5,120)</b>	<b>549,723</b>	<b>-</b>	<b>10,495,180</b>	<b>17,287,996</b>	<b>178,354</b>	<b>17,466,350</b>
Profit for the period	-	-	-	-	-	-	-	1,404,595	1,404,595	14,952	1,419,547
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	(5,051)	-	-	-	(5,051)	(21)	(5,072)
Total comprehensive income for the period	-	-	-	-	(5,051)	-	-	1,404,595	1,399,544	14,931	1,414,475
Transactions with owners:											
Share issued under share option scheme	5	960	-	-	-	-	-	-	965	-	965
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	8,931	8,931
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	309	309
Recognition of share-based payments	-	-	-	-	-	29,034	-	-	29,034	-	29,034
Transfer upon forfeiture of share options	-	-	-	-	-	(21,595)	-	21,595	-	-	-
Final dividend declared and approved in respect of the previous year	-	-	-	-	-	-	-	(173,834)	(173,834)	-	(173,834)
Total transactions with owners	5	960	-	-	-	7,439	-	(152,239)	(143,835)	9,240	(134,595)
Balance at 30 June 2015	161,351	5,816,924	164,790	106,113	(10,171)	557,162	-	11,747,536	18,543,705	202,525	18,746,230

The notes on pages 10 to 34 are integral parts of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Profit before taxation		1,737,434	1,432,857
Adjustments for non-cash items		433,925	527,703
Operating profit before working capital changes		2,171,359	1,960,560
Net changes in working capital		2,299,830	103,356
Cash from operations		4,471,189	2,063,916
Income taxes paid		(217,339)	(296,644)
<i>Net cash from operating activities</i>		4,253,850	1,767,272
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(441,818)	(90,998)
Addition of intangible assets		(760,067)	(540,285)
Addition of prepaid land lease payments		(29,252)	–
Proceeds from disposal of property, plant and equipment		47,851	17,991
Proceeds from disposal of intangible assets		–	26,216
Government grants received		52,221	–
Change in pledged bank deposits		(18,397)	3,749
Net cash outflow on acquisition of a subsidiary	25	(1,133,895)	–
Net cash outflow on disposal of a subsidiary	20	(3,047)	–
Investments in financial assets at fair value through profit or loss		(609)	–
Investments in a joint venture		(720,000)	–
Interest received		28,502	23,105
<i>Net cash used in investing activities</i>		(2,978,511)	(560,222)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares upon exercise of the share options		965	–
Proceeds from borrowings		–	393,779
Repayment of borrowings		(391,616)	(562,865)
Interest paid		(56,052)	(25,860)
Dividend paid		(173,834)	–
Capital contribution from a non-controlling shareholder		8,931	–
<i>Net cash used in financing activities</i>		(611,606)	(194,946)
<b>Net increase in cash and cash equivalents</b>		663,733	1,012,104
Cash and cash equivalents at beginning of period		7,203,176	5,477,747
Effect of foreign exchange rate changes		(44,407)	(15,454)
<b>Cash and cash equivalents at end of period</b>		7,822,502	6,474,397
<b>Analysis of cash and cash equivalents</b>			
Bank balances and cash		7,822,502	6,338,595
Bank balances and cash included in a disposal group classified as held for sale		–	135,802
<b>Cash and cash equivalents at end of period</b>		7,822,502	6,474,397

The notes on pages 10 to 34 are integral parts of this interim financial report.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2015

## 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 2014 except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) and the accounting for assets classified as held for sale as disclosed in notes 2 and 9 respectively.

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 2014.

## 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 2015:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

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.

## 3. Segment Information

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. No separate analysis of the reportable segment results by operating segment is necessary.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 4. Other Income

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Gain on disposal of scrap materials	<b>7,624</b>	21,646
Net gain on disposal of a subsidiary (note 20)	<b>62,879</b>	–
Net gain on disposal of property, plant and equipment	–	3,452
Net foreign exchange gain	–	12,196
Rental income	<b>23,755</b>	13,937
Subsidy income from government (note)	<b>532,622</b>	478,473
Sundry income	<b>1,677</b>	18,323
Unrealised gain on financial assets at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	<b>21,519</b>	6,378
	<b>650,076</b>	554,405

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 (CONTINUED)

for the six months ended 30 June 2015

### 5. Profit for the Period

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Finance income and costs</b>		
<b>Finance costs</b>		
Effective interest expense on senior notes	1,979	–
Coupon interest expense on senior notes	47,566	–
Interest on bank borrowings wholly repayable within five years	–	25,860
	<b>49,545</b>	25,860
<b>Finance income</b>		
Bank and other interest income	<b>(28,502)</b>	(23,105)
	<b>21,043</b>	2,755
<b>Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	555,627	525,969
Retirement benefit scheme contributions	63,436	80,822
Recognition of share-based payments	29,034	31,089
	<b>648,097</b>	637,880
<b>Other items</b>		
Cost of inventories recognised as expense	11,371,818	8,092,446
Depreciation	274,414	297,392
Net foreign exchange loss/(gain)	60,431	(12,196)
Amortisation of prepaid land lease payments	16,067	14,681
Amortisation of intangible assets	157,102	140,783
Research and development costs	–	60,621
Net loss/(gain) on disposal of property, plant and equipment	2,268	(3,452)
Loss on written off of intangible assets	14,252	–
Unrealised gain on financial assets at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	<b>(21,519)</b>	(6,378)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 6. Taxation

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong profits tax	–	584
PRC enterprise income tax	<b>310,284</b>	294,940
Other overseas tax	–	9,749
Under/(Over) provision in prior years	<b>759</b>	(1,138)
	<b>311,043</b>	304,135
Deferred taxation	<b>6,844</b>	3,095
	<b>317,887</b>	307,230

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 for the period (Six months ended 30 June 2014: 16.5%).

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 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.

### 7. Dividend

During the current period, a final dividend for the year ended 31 December 2014 of HK\$0.025 per share (Six months ended 30 June 2014: HK\$0.046), amounting to approximately RMB173,834,000 (Six months ended 30 June 2014: RMB319,845,000), has been declared and approved by the shareholders at the annual general meeting of the Company. The 2014 final dividend was paid in July 2015 and is reflected as a dividend payable in the Interim Financial Report.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 8. Earnings Per Share

### (a) Basic earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of the Company of RMB1,404,595,000 (Six months ended 30 June 2014: RMB1,113,439,000) and the weighted average number of ordinary shares of 8,801,545,822 shares (2014: 8,801,446,540 shares), calculated as follows:

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
Issued ordinary shares at 1 January	<b>8,801,446,540</b>	8,801,446,540
Effect of shares issued upon exercise of share options	<b>99,282</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<b>8,801,545,822</b>	8,801,446,540

### (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 RMB1,404,595,000 (Six months ended 30 June 2014: RMB1,113,439,000) and the weighted average number of ordinary shares of 8,834,646,540 shares (2014: 8,801,446,540 shares), calculated as follows:

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>8,801,545,822</b>	8,801,446,540
Effect of shares issued upon exercise of share options	<b>33,100,718</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>8,834,646,540</b>	8,801,446,540

Diluted earnings per share for the six months ended 30 June 2014 equals to the basic earnings per share as the potential ordinary shares of share options are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 9. Assets Held for Sale

	As at 30 June 2015 RMB'000 (Unaudited)
Property, plant and equipment	42,309
Intangible assets	161,327
	<b>203,636</b>

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are generally stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through their continuing use.

On 4 March 2015, the Company and Zhejiang Wanliyang Transmission Co. Ltd. ("WLY", a leading transmission company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002434)) entered into an agreement to dispose of assets, mainly the plant and machinery and intangible assets, relating to automotive manual transmissions technology at a consideration of RMB300,000,000, which was determined after the arm's length negotiations between the parties. Property, plant and equipment and intangible assets classified as assets held for sale are not depreciated or amortised.

## 10. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately RMB738,528,000 (Six months ended 30 June 2014: RMB420,777,000). Property, plant and equipment with net book value of approximately RMB102,340,000 (Six months ended 30 June 2014: RMB21,443,000) were disposed of during the period, resulting in a loss on disposal of approximately RMB2,268,000 (Six months ended 30 June 2014: a gain of approximately RMB3,452,000), excluding the amounts through disposal of a subsidiary for the six months ended 30 June 2015 as set out in note 20. During the six months ended 30 June 2015, property, plant and equipment with net book value of approximately RMB42,309,000 were classified as assets held for sale (note 9).

## 11. Intangible Assets

During the period, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to approximately RMB760,067,000 (Six months ended 30 June 2014: RMB540,285,000). No intangible assets were disposed of during the period. During the six months ended 30 June 2014, intangible assets with net book value of approximately RMB26,216,000 were disposed of, no gain or loss on disposal was resulted. During the period, the Group has written off the capitalised development costs amounted to approximately RMB14,252,000 (Six months ended 30 June 2014: Nil) in relation to particular projects which would not be put into commercialisation in view of the change in market conditions. During the six months ended 30 June 2015, certain intangible assets were disposed of through disposal of a subsidiary as set out in note 20. Intangible assets with net book value of approximately RMB161,327,000 were classified as assets held for sale (note 9).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 12. Interests in Associates

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Share of net assets	274,878	252,082
Goodwill	663	663
Impairment loss recognised	(663)	(663)
	<b>274,878</b>	252,082
Represented by:		
Cost of unlisted investments	271,391	271,391
Share of post-acquisition profits/(losses) and reserves	4,150	(18,646)
Impairment loss recognised	(663)	(663)
	<b>274,878</b>	252,082

### 13. Interests in Joint Ventures

During the period, the Group has invested in two new joint ventures, namely Ninghai Zhidou Electric Vehicles Company Limited (formerly known as "Xin Dayang Electric Vehicles Company Limited") ("Ninghai Zhidou") and Genius Auto Finance Company Limited ("Genius AFC"), at investment costs of RMB500,000,000 and RMB720,000,000 respectively.

On 16 December 2013, the Group entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, a third party, for the establishment of a joint venture company, Genius AFC, to engage in the vehicles financing business in the PRC. Genius AFC with a registered capital of RMB900,000,000 will be owned as to 80% (or RMB720,000,000) by the Group and as to 20% (or RMB180,000,000) by BNP Paribas Personal Finance. Pursuant to the JV Agreement, the board of Genius AFC will consist of five directors, of whom four will be nominated by the Group, and one will be nominated by BNP Paribas Personal Finance, respectively. However, as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC, therefore Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance. Accordingly, the investment in Genius AFC will be treated as a joint venture of the Group and measured using the equity method. During the period, the Group has paid up the agreed 80% of registered capital of Genius AFC. Subsequent to the reporting date, Genius AFC received the approval to commence operations on 3 August 2015. The wholesale financing business of Genius AFC is expected to launch first whilst the retail financing business will follow by the end of 2015.

At the reporting date, Ninghai Zhidou is engaged in the research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services in China and the Group's interests in Ninghai Zhidou is approximately 50%. The Group has contributed the entire equity interest in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as "Lanzhou Geely Automobile Industrial Company Limited") ("Lanzhou Zhidou"), its indirect 99% owned subsidiary, valued at RMB500,000,000 as its contribution to the registered capital of Ninghai Zhidou (note 20).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 13. Interests in Joint Ventures (Continued)

Details of interests in joint ventures are as follows:

	<b>At 30 June 2015 RMB'000 (Unaudited)</b>	At 31 December 2014 RMB'000 (Audited)
Share of net assets	<b>1,616,331</b>	438,547
Represented by:		
Cost of unlisted investments	<b>1,720,000</b>	500,000
Share of post-acquisition profits and reserves	<b>34,420</b>	13,774
Unrealised gain on disposal of prepaid land lease payments to a joint venture	<b>(75,210)</b>	(75,227)
Unrealised gain on disposal of a subsidiary to a joint venture	<b>(62,879)</b>	–
	<b>1,616,331</b>	438,547

### 14. Inventories

	<b>At 30 June 2015 RMB'000 (Unaudited)</b>	At 31 December 2014 RMB'000 (Audited)
At costs:		
Raw materials	<b>372,836</b>	436,686
Work in progress	<b>102,532</b>	138,054
Finished goods	<b>1,031,717</b>	1,044,765
	<b>1,507,085</b>	1,619,505

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 15. Trade and Other Receivables

	Note	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
<b>Trade and notes receivables</b>			
Trade receivables			
– Third parties		898,861	1,822,383
– A joint venture		32,786	29,126
– Associates		329,068	424,208
– Related parties controlled by the substantial shareholder of the Company		1,966,321	1,319,427
	(a)	3,227,036	3,595,144
Notes receivable	(b)	6,502,139	9,221,000
		9,729,175	12,816,144
<b>Deposits, prepayment and other receivables</b>			
Prepayment to suppliers			
– Third parties		89,721	47,977
– Related parties controlled by the substantial shareholder of the Company		1,984,093	904,396
		2,073,814	952,373
Deposits paid for acquisition of property, plant and equipment		236,051	430,498
VAT and other taxes receivables		1,214,652	1,435,122
Utility deposits and other receivables		478,221	228,180
		4,002,738	3,046,173
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	985,012	502,180
Amount due from ultimate holding company	(c)	–	61
Amount due from a joint venture	(d)	–	20,634
		4,987,750	3,569,048
		14,716,925	16,385,192

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
0 – 60 days	1,172,233	901,467
61 – 90 days	486,682	80,922
Over 90 days	1,073,451	525,465
	<b>2,732,366</b>	1,507,854

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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
0 – 60 days	169,959	502,991
61 – 90 days	18,170	30,042
91 – 365 days	43,712	1,383,770
Over 1 year	262,829	170,487
	<b>494,670</b>	2,087,290

#### (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 2015 and 31 December 2014, 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.

#### (d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable within one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 16. Senior Notes

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the “Senior Notes”). The Senior Notes are listed on the Hong Kong Exchanges and Clearing Limited. Details of the terms of the Senior Notes have been set out in the Group’s annual financial statements for the year ended 31 December 2014.

The movement of the Senior Notes for the period are set out below:

	<b>RMB’000</b>
Initial fair value on the date of issuance on 6 October 2014	1,814,165
Exchange loss	4,738
Interest expenses	1,235
<hr/>	
Carrying amount as at 31 December 2014	1,820,138
Exchange gain	(14,745)
Interest expenses	1,979
<hr/>	
<b>Carrying amount as at 30 June 2015</b>	<b>1,807,372</b>

The fair value of the Senior Notes as at 30 June 2015 amounted to approximately RMB1,875,783,000 with reference to unadjusted quoted prices in active market for identical assets (Level 1 valuation) (At 31 December 2014: RMB1,839,153,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 17. Trade and Other Payables

	Note	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
<b>Trade and notes payables</b>			
Trade payables			
– Third parties		7,921,482	7,757,246
– An associate		611,691	596,489
– Related parties controlled by the substantial shareholder of the Company		3,188,732	2,400,232
	(a)	11,721,905	10,753,967
Notes payable	(b)	35,562	364,916
		11,757,467	11,118,883
<b>Other payables</b>			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		842,763	1,983,648
– Related parties controlled by the substantial shareholder of the Company		1,716,463	75,387
		2,559,226	2,059,035
Deferred income related to government grants which conditions have not been satisfied		1,620,753	1,164,773
Payables for acquisition of property, plant and equipment		190,840	293,103
Accrued staff salaries and benefits		156,092	272,784
VAT and other taxes payables		76,778	207,207
Dividend payables		3,065	–
Other payables and accrued charges		1,423,727	1,153,947
		6,030,481	5,150,849
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	564,744	476,934
Amount due to ultimate holding company	(c)	270,000	270,000
		6,865,225	5,897,783
		18,622,692	17,016,666

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
0 – 60 days	8,606,210	8,644,894
61 – 90 days	1,139,436	723,267
Over 90 days	1,976,259	1,385,806
	<b>11,721,905</b>	<b>10,753,967</b>

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 2015 and 31 December 2014, all notes payable have maturities of less than 1 year from the reporting dates.

#### (c) Amounts due to related parties/ultimate holding company

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

### 18. Borrowings

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Bank loans secured by the Group's assets	–	391,616
Bank loans guaranteed by the ultimate holding company	300,000	300,000
Total bank borrowings	<b>300,000</b>	<b>691,616</b>

At the reporting date, there are demand clauses in the bank facilities and, therefore, all the bank borrowings are classified as current liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 19. Share Capital

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2014 and 30 June 2015 (Unaudited)	<b>12,000,000,000</b>	<b>246,720</b>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2014, 30 June 2014 and 1 January 2015	8,801,446,540	161,346
Shares issued under share option scheme	300,000	5
At 30 June 2015 (Unaudited)	<b>8,801,746,540</b>	<b>161,351</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 20. Disposal of a Subsidiary

On 8 January 2015, the Company entered into a joint venture agreement with independent third parties for the establishment of a joint venture company, Ninghai Zhidou Electric Vehicles Company Limited (formerly known as "Xin Dayang Electric Vehicles Company Limited") ("Ninghai Zhidou") (note 13). The registered capital of the joint venture is RMB1,000,000,000 and the Group has contributed the entire equity interest in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as "Lanzhou Geely Automobile Industrial Company Limited") ("Lanzhou Zhidou"), its indirect 99% owned subsidiary, valued at RMB500,000,000 as its contribution to the registered capital of Ninghai Zhidou. The contribution of Lanzhou Zhidou to Ninghai Zhidou is a deemed disposal of a subsidiary for the Company. The disposal of Lanzhou Zhidou was completed in April 2015.

	RMB'000
<b>Net assets disposed of:</b>	
Property, plant and equipment	298,413
Goodwill	6,222
Intangible assets	69,910
Prepaid land lease payments	12,198
Inventories	460
Trade and other receivables	62,173
Bank balances and cash	3,047
Trade and other payables	(77,127)
Taxation	(1,363)
	<b>373,933</b>
<b>Net gain on disposal of a subsidiary:</b>	
Equity interest of Ninghai Zhidou acquired	500,000
Net assets disposed of	(373,933)
Non-controlling interests	(309)
Unrealised gain on disposal of a subsidiary to a joint venture	(62,879)
	<b>62,879</b>
<b>Net cash outflow arising on disposal:</b>	
Bank balances and cash disposed of	(3,047)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 21. Commitments

### Capital expenditure commitments

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

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and machinery	1,534,192	327,582
– purchase of intangible assets	–	1,258
– investment in a joint venture	–	720,000
	<b>1,534,192</b>	<b>1,048,840</b>

### 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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Office and factory premises		
Within one year	2,053	6,282
In the second to fifth year inclusive	1,008	1,036
	<b>3,061</b>	<b>7,318</b>
Other assets		
Within one year	1,689	803
In the second to fifth year inclusive	42	328
	<b>1,731</b>	<b>1,131</b>
	<b>4,792</b>	<b>8,449</b>

Leases are negotiated and rentals are fixed for an average term of two (2014: two) years.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 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\$30,000 (HK\$25,000 prior to June 2014) 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 2015, the aggregate employer's contributions made by the Group and charged to the condensed consolidated income statement amounted to RMB63,436,000 (Six months ended 30 June 2014: RMB80,822,000).

### 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 2014.

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 and prior to 1 January 2015, 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. For those options granted after 1 January 2015, one-fourth of options granted will vest in every year from the grant date. Movements in number of share options during the period are as follows:

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 23. Share-Based Payment Transactions (Continued)

#### 2015 (Unaudited)

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June
<b>Directors</b>	18 January 2010 to 17 January 2020	4.07	57,500,000	-	-	-	57,500,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	-	-	-	5,000,000
	9 January 2016 to 8 January 2020	2.79	-	16,000,000	-	-	16,000,000
			62,500,000	16,000,000	-	-	78,500,000
<b>Employees</b>	18 January 2010 to 17 January 2020	4.07	306,750,000	-	(300,000)	(14,750,000)	291,700,000
	21 April 2010 to 20 April 2020	4.07	14,000,000	-	-	(1,000,000)	13,000,000
	23 March 2012 to 22 March 2022	4.07	16,500,000	-	-	-	16,500,000
	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
	9 January 2016 to 8 January 2020	2.79	-	16,900,000	-	-	16,900,000
	2 June 2016 to 1 June 2020	4.08	-	21,400,000	-	-	21,400,000
			<b>412,850,000</b>	<b>54,300,000</b>	<b>(300,000)</b>	<b>(15,750,000)</b>	<b>451,100,000</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 23. Share-Based Payment Transactions (Continued)

2014 (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
<b>Directors</b>	18 January 2010 to 17 January 2020	4.07	58,500,000	-	-	-	(1,000,000)	57,500,000
	23 March 2012 to 22 March 2022	4.07	12,000,000	-	-	-	(7,000,000)	5,000,000
			70,500,000	-	-	-	(8,000,000)	62,500,000
<b>Employees</b>	18 January 2010 to 17 January 2020	4.07	330,600,000	-	-	(6,450,000)	1,000,000	325,150,000
	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	-	-	(2,500,000)	7,000,000	16,500,000
	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
			440,600,000	-	-	(8,950,000)	-	431,650,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 23. Share-Based Payment Transactions (Continued)

During the six months ended 30 June 2015, 32,900,000 options and 21,400,000 options were granted on 9 January 2015 and 2 June 2015 with estimated total fair values of approximately RMB34.3 million and RMB25.5 million respectively. The closing price of the Company's shares immediately before the date on which the options granted were HK\$2.79 and HK\$4.02 for option lots of 32,900,000 options and 21,400,000 options respectively. The exercise prices of the share options granted is HK\$2.79 per share for option lots of 32,900,000 and HK\$4.08 per share for option lots of 21,400,000 respectively. The share options for option lots of 32,900,000 options and 21,400,000 options are valid for a period of 4 years from 9 January 2016 to 8 January 2020 and 2 June 2016 to 1 June 2020 respectively and one-fourth of options granted will vest in every year from the grant date.

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

Grant date	2 June 2015	9 January 2015
Exercise price	HK\$4.08	HK\$2.79
Expected volatility	46.12%	46.72%
Expected life	5 years	5 years
Risk-free rate	1.12%	1.28%
Expected dividend yield	1.14%	1.26%

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.

The Group recognised a total of RMB29,034,000 (Six months ended 30 June 2014: RMB31,089,000) as administrative expenses for the six months ended 30 June 2015 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	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Related companies</b> (Note (a) and (b))			
Zhejiang Geely Automobile Company Limited	Sales of complete knock down kits and sedan tool kits	6,032,096	3,191,916
(浙江吉利汽車有限公司)	Sales of automobile parts and components	2,837	1,583
	Claims income on defective materials purchased	21,281	18,483
	Purchase of complete buildup units	6,373,364	3,295,575
	Sub-contracting fee paid	19,210	11,990
	Claims paid on defective materials sold	26,166	29,578
	Acquisition of property, plant and equipment	4,377	-
	Research and development services rendered	393	-
	Sales of property, plant and equipment	1,017	-

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 24. Related Party Transactions (Continued)

### (a) Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Related companies (Note (a) and (b))</b>			
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete and semi knock down kits and sedan tool kits	-	188,267
	Sales of automobile parts and components	279	46,663
	Claims income on defective materials purchased	244	971
	Purchase of complete buildup units	-	243,493
	Claims paid on defective materials sold	-	548
	Acquisition of property, plant and equipment	-	1,626
	Purchase of automobile parts and components	671	-
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	5,889,864	2,813,262
	Sales of automobile parts and components	684	-
	Claims income on defective materials purchased	41,083	27,792
	Purchase of complete buildup units	6,208,347	2,906,297
	Purchase of automobile parts and components	204	41
	Sub-contracting fee paid	8,100	9,032
	Claims paid on defective materials sold	48,621	23,817
	Acquisition of property, plant and equipment	672	-
	Rental income	-	145
	Research and development services rendered	334	-
	Acquisition of intangible assets	926	-
Sales of property, plant and equipment	109	-	
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	-	1,511
	Claims income on defective materials purchased	13,582	7,569
	Purchase of automobile parts and components	2,050,014	1,722,203
	Purchase of accessories	-	4,111
	Acquisition of property, plant and equipment	1,758	-
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of complete buildup units	-	52,312
	Sales of automobile parts and components	1,266	1,493
	Claims paid on defective materials sold	673	384
Zhejiang Wisdom Electronics Equipment Company Limited (Note (c)) (浙江智慧電裝有限公司)	Purchase of automobile parts and components	-	10,363
	Claims income on defective materials purchased	-	358
	Rental income	-	86
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	-	2,087,059
	Claims income on defective materials purchased	-	17,150
	Purchase of complete buildup units	-	2,205,267
	Acquisition of property, plant and equipment	-	481

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

## 24. Related Party Transactions (Continued)

### (a) Transactions (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Related companies</b> (Note (a) and (b))			
Shanghai LTI Automobile Components Company Limited (上海英倫帝華汽車部件有限公司)	Rental income	3,809	3,809
	Sales of automobile parts and components	3	2
	Purchase of automobile parts and components	1,485	682
	Claims paid on defective materials sold	58	4
Zhejiang Jirun Chunxiao Automobile Components Company Limited (Note (d)) (浙江吉潤春曉汽車部件有限公司)	Sales of automobile parts and components	52,135	–
	Purchase of automobile parts and components	10,185	–
Hunan Jisheng International Drivetrain System Company Limited (Note (e)) (湖南吉盛國際動力傳動系統有限公司)	Sales of automobile parts and components	10	–
	Purchase of automobile parts and components	46,880	–
	Claims income on defective materials purchased	3,376	–
<b>Associate</b>			
Mando (Ningbo) Automotive Parts Company Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components	616,187	443,098
<b>Subsidiary of the joint venture</b>			
Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司)	Sales of automobile parts and components	3,365	50,667
	Sales of complete buildup units	4,804	–

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.
- The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- In May 2014, the Company's ultimate holding company has disposed Zhejiang Wisdom Electronics Equipment Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.
- In May 2015, Zhejiang Jirun Chunxiao Automobile Components Company Limited has been acquired by the Group as a 99% owned subsidiary. The transactions represent sale and purchases before the acquisition.
- In May 2015, the Company's ultimate holding company has disposed of Hunan Jisheng International Drivetrain System Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 24. Related Party Transactions *(Continued)*

#### (b) Compensation of key management personnel

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries and other short-term benefits	<b>6,824</b>	15,393
Retirement benefits scheme contributions	<b>111</b>	493
Share-based payments	<b>29,034</b>	31,089
	<b>35,969</b>	46,975

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 (CONTINUED)

for the six months ended 30 June 2015

### 25. Business Combinations

#### For the six months ended 30 June 2015

On 6 February 2015, Zhejiang Jirun Automobile Company Limited (“Jirun Automobile”), a 99% owned subsidiary of the Company, and a fellow subsidiary owned by the ultimate holding company entered into an agreement to acquire 100% equity interest of Zhejiang Jirun Chunxiao Automobile Components Company Limited (“Chunxiao Automobile”). The acquisition of Chunxiao Automobile was completed in May 2015. Details of the acquisition have been set out in the Company’s circular dated 16 March 2015.

The net assets acquired in the acquisition of Chunxiao Automobile at the acquisition date are as follows:

	Carrying amount RMB'000	Fair value adjustment RMB'000	Fair value RMB'000
The net assets acquired:			
Property, plant and equipment	1,508,483	(950)	1,507,533
Prepaid land lease payments	389,902	47,029	436,931
Trade and other receivables	293,378	–	293,378
Inventories	143,205	–	143,205
Cash and cash equivalents	3,946	–	3,946
Trade and other payables	(1,249,736)	–	(1,249,736)
	<u>1,089,178</u>	<u>46,079</u>	<u>1,135,257</u>
Goodwill			2,584
			<u>1,137,841</u>
Total consideration satisfied by cash			<u>1,137,841</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,137,841)
Bank balances and cash acquired			3,946
			<u>(1,133,895)</u>

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired.

During the period from the acquisition date to 30 June 2015, Chunxiao Automobile has contributed a total revenue of Nil and a net profit of RMB14,463,000.

If the acquisition had occurred on 1 January 2015, the consolidated revenue and net profit of the Group for the period ended 30 June 2015 would have been decreased by Nil and RMB52,597,000 respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group’s revenue and operating results if the acquisition has been completed 1 January 2015 and could not serve as a basis for the forecast of future operation result.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 30 June 2015

### 26. Fair Value Measurements of Financial Instruments

#### (a) Assets and liabilities measured at fair value

##### (i) Fair value hierarchy

	Fair value at 30 June 2015 RMB'000 (Unaudited)	Fair value measurements as at 30 June 2015 using Quoted prices in active market for identical assets (Level 1) RMB'000 (Unaudited)
<b>Recurring fair value measurement</b>		
Financial assets:		
Financial assets at fair value through profit or loss		
– Listed equity securities held for trading	16,796	16,796
<hr/>		
	Fair value at 31 December 2014 RMB'000 (Audited)	Fair value measurements as at 31 December 2014 using Quoted prices in active market for identical assets (Level 1) RMB'000 (Audited)
Recurring fair value measurement		
Financial assets:		
Financial assets at fair value through profit or loss		
– Listed equity securities held for trading	15,294	15,294
<hr/>		

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (Six months ended 30 June 2014: 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.

#### 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 2014 and 30 June 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2015 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 2015. These interim results have been reviewed by the Board’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 2015 met the management’s expectations. Our domestic sales continued to recover, helped by the good market response to new models like “New Emgrand” and “New Vision”. This is despite the sluggish automobile market in China and the challenges remained in some of the Group’s major export markets. Sales performance of Chinese indigenous brand passenger vehicles improved during the period, with their overall sales volume growing 14.6% year-on-year (“YoY”) in the first half of 2015, compared with the 4.8% YoY growth of the overall China passenger vehicle market, according to China Association of Automobile Manufacturers. As a result of the Group’s restructuring of the sales and marketing system in 2014, the Group’s sales performance in the China market maintained its strong momentum, with the total sales volume up 53.1% YoY to 233,990 units in the first half of 2015. The Group’s export sales volume, however, slid 48.1% YoY to 17,883 units in the first half of 2015 due to the challenging market environment in some of the Group’s major export markets in Africa and Eastern Europe, principally caused by the relative strength of RMB exchange rates and political and economic instability in these countries. The Group sold a total of 251,873 units of vehicles in the first six months of 2015, achieved a 34.5% YoY growth in the period under review. Total revenues increased by 36% to RMB13,807 million during the period. Profit attributable to the equity holders of the Company for the first half of 2015 was up 26% to RMB1,405 million compared to the first half of 2014. In the first half of 2015, benefits from lower automobile component costs were more than offset by the increased sales volume of newly launched models like “New Emgrand”, “New Vision” and “Geely GC9”, which usually carry lower margins at the early stage of product cycle, resulted in lower gross margin ratio during the period. This, together with higher selling and distribution expenses, mainly caused by higher promotional expenses for new models, resulted in only moderate growth in net profit. Fully diluted earnings per share (EPS) was up 26% to RMB15.90 cents.

## Financial Resources

As a result of higher revenues and operating profits in the first half of 2015, the Group’s financial position continued to be strong at the end of the first half of 2015. The Group’s total cash level (cash and bank balances + pledged bank deposits) increased by 9% from the end of 2014 to RMB7,888 million at the end of June 2015, while its total borrowings (including bank borrowings and senior notes) decreased by 16% to RMB2,107 million during the same period. Net cash on hand (total cash level – bank borrowings – senior notes) amounted to RMB5,781 million, the highest level in the Group’s history, versus a net cash level of RMB4,739 million six months ago. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of June 2015 amounted to RMB6,467 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 251,873 units of vehicles in the first half of 2015, up 34.5% YoY, thanks to the good market response to the Group’s new models like “New Emgrand”, “New Vision” and “Geely GC9”. The decent volume growth was despite the sluggish automobile market in China and the slump in export sales during the period, but helped by low base for comparison during the same period in 2014.

The Group’s domestic sales volume in the first half of 2015 surged 53.1% YoY to 233,990 units, much stronger than the overall passenger vehicle market in China, which was up 4.8% during the period, according to China Association of Automobile Manufacturers. The Group’s market share in China’s overall passenger vehicle market increased to around 2.5% in the first half of 2015, according to China Association of Automobile Manufacturers. Export sales volume was down 48.1% to 17,883 units in the first half of 2015, mainly affected by the challenging economic and market environment in the Group’s major export markets like Ukraine, Russia and Egypt. Export sales accounted for 7.1% of the Group’s total sales volume in the first half of 2015, compared with 18.4% in the same period in 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2015, the combined sales volume of “EC7” and “New Emgrand” was 99,999 units, an increase of about 56.1% YoY. The two models continued to be the Group’s best-selling models, accounting for 39.7% of the Group’s total sales volume during the period. Sales of aging models such as “Free Cruiser” and “Geely Panda” continued their downward trends in the first half of 2015. Their sales volume declined by 26.0% YoY and 40.6% YoY, respectively. The aggregate sales volume of “GX7”, “SX7” and “GX9”, the Group’s Sport Utility Vehicles (“SUVs”), amounted to 34,784 units, increased by 18.6% YoY. The aggregate sales volume of “EC7”, “New Emgrand”, “GC7”, “SC7”, “Vision” and “New Vision”, the Group’s A-segment sedans, amounted to 161,942 units, increased by 67.7% YoY.

Helped by the launch of “New Vision”, an upgraded version of “Vision”, in November 2014, the combined sales volume of “Vision” and “New Vision” was 54,924 units, more than twofold increase as compared with the same period last year. The Group’s newest B-segment sedan, namely “Geely GC9” (吉利博瑞), which was launched in mid-April 2015, achieved a sales volume of 5,790 units during the period. The sales volume of the upgraded version of “Geely Kingkong” also maintained steady at 30,660 units in the first half of 2015. As a result of the improvement in product mix (i.e. higher proportion of higher-priced models), the Group’s ex-factory average sales price increased during the first half of 2015 from the same period last year.

The Group’s three product brands would gradually be consolidated into a single brand called “Geely” for distribution via a single dealer network within 3 years. The existing sales channels would be evaluated before further integration or streamlining, thus enabling the Group to provide its customers with quality services. At the end of June 2015, the Group’s sales network in China comprised a total of 694 shops, including 544 4S stores and 150 exclusive franchisee stores.

In Shanghai Auto Show in April 2015, the Group handed over the initial lot of limited protocol edition (首批禮賓限量版) of “Geely GC9” (吉利博瑞) to the new car owners at its press conference and exhibited its new “Emgrand” concept car. The display of two models signified the Group’s achievement in enhancing its brand and product value during the ‘New Geely Era’ (新吉利時代): “Geely GC9” was the first strategic flagship B-segment car model of the Group under the new “Geely” brand; whereas the new “Emgrand” concept car model fortified further the achievement of the Group’s ongoing “Strategic Transformation”.

In April 2015, the Group’s “GX9” full size SUV model achieved a 5-star rating with the high score of 55.2 points in the C-NCAP (China’s New Car Assessment Programme) crash test. The “GX9” was designed and manufactured under the Group’s “Geely Total Safety Management” (吉利汽車全方位安全管理系統) protocol. The outstanding results achieved by “GX9” model in the test reflected the Group’s leading position in terms of vehicle safety in China automobile industry.

In addition, the Group’s effort in improving customer satisfaction, vehicle quality, attractiveness, dependability and brand awareness also yielded positive results in recent studies conducted by J.D. Power Asia Pacific. In “J.D. Power Asia Pacific 2014 China Brand Website Evaluation Study<sup>SM</sup> (BWES)”, which measured the usefulness of automotive manufacturer websites during the new-vehicle shopping process by examining their navigation, speed, information and content, and appearance, “Geely” ranked number 2.

In “J.D. Power Asia Pacific 2015 China Customer Service Index (CSI) Study<sup>SM</sup>”, which analysed after-sales dealer service satisfaction by vehicle owners, the “Geely” brand continued to improve its ranking in the study, where “Geely” brand’s score reached 715 compared to the Mass Market Segment Average score of 664. Amongst all the local brands in China, “Geely” brand ranked number five. In terms of overall ranking, “Geely” brand achieved number 13 position (from number 17 in 2014) among the 68 passenger vehicle brands examined by the study.

### New Products

The Group launched a B-segment sedan namely “Geely GC9” (吉利博瑞), and the upgraded versions of “SC7” and “Vision” in the first half of 2015. In the second half of 2015, the Group plans to launch the following new products:

- “Emgrand” Electric Vehicles; and
- “Emgrand” SUVs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Exports

The Group exported a total of 17,883 units of vehicles in the first six months of 2015, down 48.1% from the same period last year, and accounted for 7.1% of the Group's total sales volume during the period. The disappointing export sales performance was mainly caused by the relative strength of RMB exchange rates and the deteriorating political and economic environment in some of the Group's major export markets in Africa and Eastern Europe. The Group has adopted a more conservative business strategy in some of the higher risk export markets to preserve our resources and protect our brand name. As a result, the Group's share of China's total exports of passenger vehicles was down to 8.4% in the first half of 2015, compared to 11.2% in 2014, according to China Association of Automobile Manufacturers. "EC7" and "New Emgrand" continued to be the Group's most popular export models in terms of sales volume in the first half of 2015. Export volume of "EC7" and "New Emgrand" amounted to 4,784 units and accounted for 26.8% of the Group's total export sales volume during the first six months of 2015. At the end of June 2015, the Group exported its products to 31 countries through 31 exclusive sales agents and 464 sales and service outlets in these countries.

Developing countries in Africa, Asia, Southern America and the Middle East were the most important markets for the Group's exports in the first half of 2015. Amongst which, the most important export destinations in terms of sales volume were Algeria, Cuba, Egypt, Oman, Saudi Arabia, Sri Lanka and Ukraine, which together accounted for over 81.8% of the Group's total exports volume in the first half of 2015. In addition to export of vehicles from 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.

## Formation of Joint Venture – Ninghai Zhidou Electric Vehicles Company Limited (寧海知豆電動汽車有限公司) – to engage in Electric Vehicles Business

On 8 January 2015, the Group agreed with independent third parties to set up a 50:50 joint venture – Ninghai Zhidou Electric Vehicles Company Limited (寧海知豆電動汽車有限公司) (previously referred to as "Xin Dayang Electric Vehicles Company Limited" (新大洋電動汽車有限公司)). The joint venture is engaged in the research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services in China. The registered capital of the joint venture was RMB1,000 million and the Group transferred the entire equity interest in its former indirect 99% owned subsidiary, namely Lanzhou Zhidou Electric Vehicles Company Limited (蘭州知豆電動汽車有限公司 or "Lanzhou Zhidou") (formerly known as "Lanzhou Geely Automobile Industrial Company Limited" (蘭州吉利汽車工業有限公司)), which was valued at around RMB500 million, as its contribution to the registered capital of the joint venture. The contribution of Lanzhou Zhidou to the joint venture completed in April 2015 was a deemed disposal of a subsidiary for the Company.

The formation of the joint venture combines the strengths of the Group's expertise on vehicle manufacturing with the expertise of other joint venture partners in the development of the electric vehicles and offers an effective platform for the parties to explore and develop the electric vehicles market in China. Since the Group does not have control of the board of directors of the joint venture and the shareholding interest of the Group is only 50%, the joint venture will be treated as a jointly controlled entity of the Group and the financial results of the joint venture will be equity accounted for in the consolidated financial statements of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Acquisition of 100% interest in Zhejiang Jirun Chunxiao Automobile Components Company Limited (浙江吉潤春曉汽車部件有限公司 or “Chunxiao Automobile”)

On 6 February 2015, the Group agreed to acquire the entire registered capital of Chunxiao Automobile from its parent – Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司) for RMB1,138 million. The consideration was determined with reference to the net assets value of the 100% interest in the registered capital of Chunxiao Automobile as at 31 January 2015 and the Group funded the acquisition through its internal cash reserve. On 31 March 2015, the acquisition had been duly approved by the independent shareholders of the Company at the extraordinary general meeting.

It is expected that the acquisition will enhance the Group’s production capabilities for the manufacture of new high-end sedan and SUV models which will expand the Group’s products offering and enhance the overall competitive strength of the Group’s products. These new high-end products are expected to become one of the key drivers for the Group’s future profitability. Subsequent to completion of the acquisition through business combinations in May 2015, Chunxiao Automobile became a wholly owned subsidiary of the Group and its financial results had been consolidated into the financial statements of the Group.

### Vehicle Financing Joint Venture with BNP Paribas Personal Finance – Genius Auto Finance Company Limited (吉致汽車金融有限公司 or “Genius AFC”)

In February 2015, the Company received the approval from the China Banking Regulatory Commission (the “CBRC”) to start the set-up of the joint venture, namely Genius Auto Finance Company Limited (吉致汽車金融有限公司 or “Genius AFC”), to engage in vehicle financing business in China. With a registered capital of RMB900 million, Genius AFC is owned as to 80% (or RMB720 million) by the Company and as to 20% (or RMB180 million) by BNP Paribas Personal Finance. On 3 August 2015, the Company received the approval to commence operations of Genius AFC from the CBRC. The wholesale financing business of Genius AFC is expected to launch first whilst the retail financing business will follow by the end of 2015.

It is expected that Genius AFC will enable the Group to provide a full range of quality automotive financing services to its dealers and end-customers, which in turn, will help strengthen its competitiveness and promote the sales of its vehicles in China.

### Disposals of 5-speed manual transmissions (“5MTs”) and 6-speed manual transmissions (“6MTs”) assets

On 4 March 2015, the Company and Zhejiang Wanliyang Transmission Co., Ltd. (“WLY”, a leading transmission company established in China, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002434)) entered into an agreement to dispose of the assets, mainly the plant and machinery and intangible assets, relating to the 5MTs and 6MTs at a consideration of RMB300 million, which was determined after the arm’s length negotiations between the parties. As at 30 June 2015, the Group presented the financial information of the assets in the condensed consolidated statement of financial position as “Assets held for sale”.

The disposal is a step taken by the Group to further consolidate its business and focus on the production of vehicles in the PRC. Upon completion of the disposal in July 2015, the Group will no longer be involved in the development and production of 5MTs and 6MTs as WLY, by leveraging its expertise in transmission business, will supply these products to the Group and also work on their upgrades. It is expected that the disposal will help the Group to streamline its business, reduce costs and avoid the divergence of resources to the non-core business of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Outlook

The automobile market in China appears to have weakened considerably so far in 2015. The environment for our key export markets remains challenging as political and economic conditions in these markets remain uncertain, in particular in the Eastern Europe and in Southern America. Competitive pressure on indigenous brands in the China market should continue to intensify in the coming years as more international brands started to adopt more aggressive pricing and competitive strategies to safeguard their market shares in China. The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on indigenous brands in China. Further, more major cities in China had introduced local policies to restrict new car licenses to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles in these markets. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to curb the growth of new vehicles.

The exports business for motor vehicles in our major markets like Russia and Egypt has seen a material slowdown due to the uncertain political and economic conditions in these countries. It is envisaged these external factors would persist and our exports business could continue to face tremendous challenges in the remainder of 2015.

On the positive front, the Group's competitive advantages, however, have improved, putting the Group in a stronger position to meet with the challenges. Also, the Group's restructuring of its distribution system could significantly enhance the service quality and efficiency of the Group's sales channel, thus providing further momentum to support the Group's future growth. So far in 2015, the Group's performance has been satisfactory. Our focus in raising customer satisfaction through quality product offering and services is making significant progress.

The Group started to offer turbo-charged engines in some of its models in order to enhance the attractiveness of the Group's products. With the substantial investment in new technologies like turbo-charged engines over the past few years, our powertrain system has become far more fuel efficient and environmentally friendly. The Group plans to replace its old models with more sophisticated new models equipped with more advanced powertrain technologies and designs. In addition, a new SUV model is planned for launch by the Group within the year. These new powertrain technologies and the new product should help to bolster the Group's overall sales performance in the remainder of 2015.

The Group's full cooperation with Volvo Car Corporation has been progressing well, enabling the Group to further optimize resource utilization, and speed up the implementation of platform strategy, standardization, and shared modularization in product development. This should provide the Group with a strong and unique advantage over its competitors.

In view of the expected increase in demand for new electric vehicles, the Group's strategy on new electric vehicles calls for the speeding up of electrification offerings through business partnership and strategic alliance with leading international players with proven core technologies.

Despite the fierce competition in China's automobile market and sign of deteriorating market conditions in some of the Group's major export markets, the Group still managed to achieve its original business plan and targets set for the first half of 2015. Despite recent slowdown in China's automobile market, the management team decided to maintain our full year sales volume target at 450,000 units, up around 8% from 2014.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure And Treasury Policies

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and the credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, shareholders' loan from the its parent Geely Holding Group and fund raising exercises in the capital market. As at 30 June 2015, the Group's shareholders' fund amounted to approximately RMB18.5 billion (as at 31 December 2014: approximately RMB17.3 billion). Upon exercise of share options, 0.3 million new shares were issued by the Group during the six months ended 30 June 2015.

## Exposure To Foreign Exchange Risk

During the six months ended 30 June 2015, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in RMB, the functional currency of the Group.

In terms of export operations, most of the Group's export sales were denominated in US\$ during the year. Also, the Group could face foreign exchange risk, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group's competitiveness and therefore its sales volume in these markets. To mitigate the foreign exchange risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

The Group's management would also closely monitor the market situation and might consider tools to manage foreign exchange risk whenever necessary.

## Liquidity And Financial Resources

As at 30 June 2015, the Group's current ratio (current assets/current liabilities) was 1.27 (as at 31 December 2014: 1.42) and the gearing ratio of the Group was 11.4% (as at 31 December 2014: 14.5%) which was calculated on the Group's total borrowings (including the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). Total borrowings (including Senior Notes but excluding the trade and other payables) as at 30 June 2015 amounted to approximately RMB2.1 billion (as at 31 December 2014: approximately RMB2.5 billion) were mainly the Group's borrowings and Senior Notes. At the end of June 2015, the majority of the Group's total borrowings were denominated in RMB and US\$. They were well matched by the currencies of the Group's bank balances and cash and currency mix of the Group's revenues, which were mainly denominated in RMB and US\$, respectively. For the borrowings, except for Senior Notes issued in October 2014, 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 2015, the total number of employees of the Group was about 19,217 (as at 31 December 2014: approximately 18,481). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Directors' And Chief Executives' Interests And Short Positions In The Securities Of The Company And Its Associated Corporations

As at 30 June 2015, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of

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

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

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
<b>Shares</b>				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporation	3,751,159,000	–	42.62
Mr. Li Shu Fu	Personal	17,075,000	–	0.19
Mr. Yang Jian	Personal	14,385,000	–	0.16
Mr. Gui Sheng Yue	Personal	14,300,000	–	0.16
Mr. An Cong Hui	Personal	15,380,000	–	0.17
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Mr. Liu Jin Liang	Personal	4,250,000	–	0.05
Ms. Wei Mei	Personal	4,170,000	–	0.05
<b>Share options</b>				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.14
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.13
Mr. Gui Sheng Yue	Personal	6,000,000 (Note 4)	–	0.07
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.10
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12
Mr. Ang Siu Lun, Lawrence	Personal	5,000,000 (Note 4)	–	0.06
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.10
Ms. Wei Mei	Personal	3,000,000 (Note 2)	–	0.03
Ms. Wei Mei	Personal	5,000,000 (Note 3)	–	0.06

## MANAGEMENT DISCUSSION AND ANALYSIS

Name of Director	Capacity	Number of shares in the Company		Shareholding percentage (%)
		Long Position	Short Position	
<b>Share options</b>				
Mr. Carl Peter Edmund Moriz Forster	Personal	1,000,000 (Note 4)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 4)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 4)	–	0.01
Mr. An Qing Heng	Personal	1,000,000 (Note 4)	–	0.01
Mr. Wang Yang	Personal	1,000,000 (Note 4)	–	0.01

Notes:

- (1) Proper Glory Holding Inc. (“Proper Glory”) and its concert parties in aggregate hold 3,751,159,000 shares (excluding those held directly by Mr. Li Shu Fu), representing approximately 42.62% of the issued share capital of the Company as at 30 June 2015. 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 2015.
- (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 2015.
- (4) This interest relates to share options granted on 9 January 2015 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$2.79 for each share during the period from 9 January 2016 to 8 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 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (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	Jinan Geely Automobile Company Limited	(Note 12)	–	(Note 12)

## 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 a private company incorporated in the PRC and is 1% directly owned by Zhejiang Geely. Zhejiang Geely is 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 a private company incorporated in the PRC and is 1% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (8) Zhejiang Kingkong Automobile Company Limited is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
- (9) Zhejiang Ruhoo Automobile Company Limited is a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is 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 a private company incorporated in the PRC and is 1% directly owned by Zhejiang Haoqing. Zhejiang Haoqing is 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) 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 2015, 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 2015, 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 (the "Old Share Option Scheme") and the Company's new share options scheme approved and adopted on 18 May 2012 (the "New Share Option Scheme"):

Name of Director	Outstanding share options as at 30 June 2015	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. Gui Sheng Yue	6,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
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. Ang Siu Lun, Lawrence	5,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
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. Carl Peter Edmund Moriz Forster	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Yeung Sau Hung, Alex	1,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Yeung Sau Hung, Alex	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Lee Cheuk Yin, Dannis	1,000,000	18.1.2010	18.1.2010 – 17.1.2020	4.07
Mr. Lee Cheuk Yin, Dannis	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. An Qing Heng	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
Mr. Wang Yang	1,000,000	9.1.2015	9.1.2016 – 8.1.2020	2.79
	78,500,000			

## Share Option Scheme

A share option scheme ("Old Share Option Scheme") of the Company was approved and adopted on 31 May 2002. The Scheme is valid and effective for a period of ten years from the date of adoption. Pursuant to 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 2014 annual report.

Based on the Company's records as at 30 June 2015, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 372,600,000 share options were granted by the Company to the employees and other eligible participants and remain outstanding.

## Interim Dividend

At a meeting of the Board held on 19 August 2015, the Directors resolved not to pay an interim dividend to shareholders (2014: 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

Connected parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Related companies</b> (Note (a) and (b))			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of complete knock down kits and sedan tool kits	<b>6,032,096</b>	3,191,916
	Sales of automobile parts and components	<b>2,837</b>	1,583
	Claims income on defective materials purchased	<b>21,281</b>	18,483
	Purchase of complete buildup units	<b>6,373,364</b>	3,295,575
	Sub-contracting fee paid	<b>19,210</b>	11,990
	Claims paid on defective materials sold	<b>26,166</b>	29,578
	Acquisition of property, plant and equipment	<b>4,377</b>	–
	Research and development services rendered	<b>393</b>	–
	Sales of property, plant and equipment	<b>1,017</b>	–
	Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete and semi knock down kits and sedan tool kits	–
Sales of automobile parts and components		<b>279</b>	46,663
Claims income on defective materials purchased		<b>244</b>	971
Purchase of complete buildup units		–	243,493
Claims paid on defective materials sold		–	548
Acquisition of property, plant and equipment		–	1,626
Purchase of automobile parts and components		<b>671</b>	–
Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司)	Sales of complete knock down kits and sedan tool kits	<b>5,889,864</b>	2,813,262
	Sales of automobile parts and components	<b>684</b>	–
	Claims income on defective materials purchased	<b>41,083</b>	27,792
	Purchase of complete buildup units	<b>6,208,347</b>	2,906,297
	Purchase of automobile parts and components	<b>204</b>	41
	Sub-contracting fee paid	<b>8,100</b>	9,032
	Claims paid on defective materials sold	<b>48,621</b>	23,817
	Acquisition of property, plant and equipment	<b>672</b>	–
	Rental income	–	145
	Research and development Services rendered	<b>334</b>	–
	Acquisition of intangible assets	<b>926</b>	–
	Sales of property, plant and Equipment	<b>109</b>	–

## MANAGEMENT DISCUSSION AND ANALYSIS

Connected parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Related companies</b> (Note (a) and (b))			
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	-	1,511
	Claims income on defective materials purchased	<b>13,582</b>	7,569
	Purchase of automobile parts and components	<b>2,050,014</b>	1,722,203
	Purchase of accessories	-	4,111
	Acquisition of property, plant and equipment	<b>1,758</b>	-
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of complete buildup units	-	52,312
	Sales of automobile parts and components	<b>1,266</b>	1,493
	Claims paid on defective materials sold	<b>673</b>	384
Zhejiang Wisdom Electronics Equipment Company Limited (Note (c)) (浙江智慧電裝有限公司)	Purchase of automobile parts and components	-	10,363
	Claims income on defective materials purchased	-	358
	Rental income	-	86
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	-	2,087,059
	Claims income on defective materials purchased	-	17,150
	Purchase of complete buildup units	-	2,205,267
	Acquisition of property, plant and equipment	-	481
Shanghai LTI Automobile Components Company Limited (上海英倫帝華汽車部件有限公司)	Rental income	<b>3,809</b>	3,809
	Sales of automobile parts and components	<b>3</b>	2
	Purchase of automobile parts and components	<b>1,485</b>	682
	Claims paid on defective materials sold	<b>58</b>	4
Zhejiang Jirun Chunxiao Automobile Components Company Limited (Note (d)) (浙江吉潤春曉汽車部件有限公司)	Sales of automobile parts and components	<b>52,135</b>	-
	Purchase of automobile parts and components	<b>10,185</b>	-
Hunan Jisheng International Drivetrain System Company Limited (Note (e)) (湖南吉盛國際動力傳動系統有限公司)	Sales of automobile parts and components	<b>10</b>	-
	Purchase of automobile parts and components	<b>46,880</b>	-
	Claims income on defective materials purchased	<b>3,376</b>	-
	Income from research and development services rendered	<b>13,300</b>	-

# MANAGEMENT DISCUSSION AND ANALYSIS

Connected parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Associate</b>			
Mando (Ningbo) Automotive Parts Company Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components	616,187	443,098
<b>Subsidiary of the joint venture</b>			
Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司)	Sales of automobile parts and components	3,365	50,667
	Sales of complete buildup units	4,804	–

Notes:

- (a) 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.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) In May 2014, the Company's ultimate holding company has disposed Zhejiang Wisdom Electronics Equipment Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.
- (d) In May 2015, Zhejian Jirun Chunxiao Automobile Components Company Limited has been acquired by the Group as a 99% owned subsidiary. The transactions represent sale and purchases before the acquisition.
- (e) In May 2015, the Company's ultimate holding company has disposed of Hunan Jisheng International Drivetrain System Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interests And Short Positions In Shares And Underlying Shares Of Other Persons

As at 30 June 2015, 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	–	–	27.98
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	–	–	42.62
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	–	8.82
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	–	0.001
	Interest in controlled corporation	2,462,400,000	–	–	27.98
JP Morgan Chase & Co.	Interest in controlled corporation	690,080,062	–	–	7.84
		–	10,722,206	–	0.12
		–	–	141,011,288	1.60
Standard Life Investment (Holdings) Ltd.	Interest in controlled corporation	445,783,859	–	–	5.06

Notes:

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

Mr. Li Shu Fu is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

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 2015 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2015.

## Corporate Governance

The Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2015, except for CPs E.1.2 and A.6.7 as explained below:

CP E.1.2 stipulates that the chairman of the board, whereas CP A.6.7 provides that the non-executive directors (including the independent non-executive directors) of the company, shall attend the general meetings of the company. However, with the conference call facility being made available by the Company, any directors of the Company who are unable to physically attend the general meetings can participate in the meetings and have direct communication with the Company's shareholders.

Due to other business engagement outside Hong Kong, Mr. Li Shu Fu ("Mr. Li"), the chairman of the board of directors of the Company (the "Board") was unable to attend the extraordinary general meeting of the Company held on 31 March 2015 in Hong Kong ("EGM"). Nevertheless, the non-executive director and four independent non-executive directors attended the EGM via conference call. At the annual general meeting of the Company held on 29 May 2015 in Hong Kong ("AGM"), one independent non-executive director attended the AGM in person whilst the non-executive director and two independent non-executive directors attended via conference call in the absence of Mr. Li. The Board believes that the directors who participate in the general meetings via conference call are still able to directly conduct discussion with the Company's shareholders on questions they have and such shareholders' views would be properly channeled to the Board as a whole. In order to ensure that the shareholders' questions about the proposed resolutions of the general meetings were properly addressed, representatives of the Company's financial advisers attended the EGM in person; and representatives of the Company's external auditors attended both the EGM and the AGM in person.

In the interim period under review, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by officers ("Code"). All directors of the Company 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 2015, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Yeung Sau Hung, Alex, Fu Yu Wu, An Qing Heng 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  
19 August 2015