

2007 Interim Results

10 September 2007



吉利汽车控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

Results Highlights



- ❖ **1H2007 results affected by slow down in the demand for economy sedans in China and the initial costs of the Group's strategic transformation**

- ❖ **Net profit down 32% to HK\$82m in 1H2007 (vs. HK\$121m in 1H2006), due to:**
 - ❖ **6% decrease in the profit of the vehicle manufacturing associates**
 - ❖ **the startup cost at Shanghai LTI, which lost HK\$3.4m in 1H2007**
 - ❖ **non-cash expense of HK\$39m related to CBs (HK\$18m in 1H2006)**

- ❖ **This is despite:**
 - ❖ **5-6% price cuts so far this year**
 - ❖ **Dramatic 40% fall of sales volume of lower end models**
 - ❖ **An 70% increase in sales volume of higher end models**



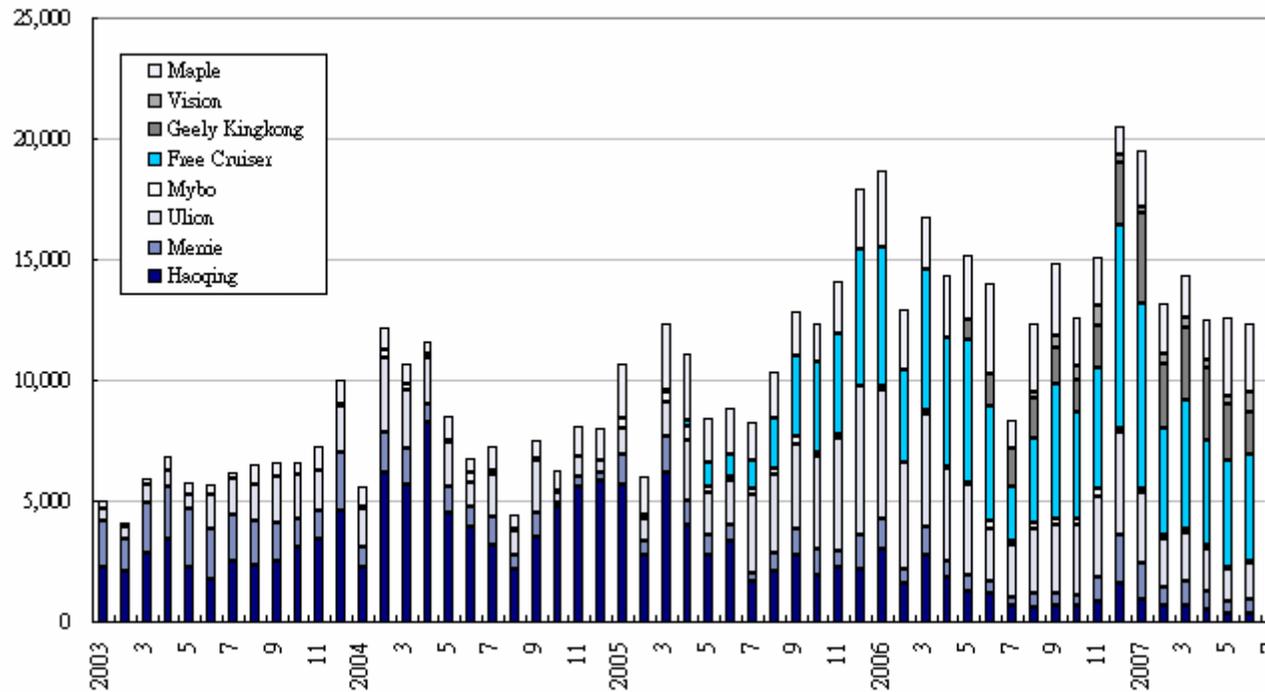
Achievements in 1H2007



- ❖ **Continued improvement in product mix: three higher-priced models accounted for 59% of total sales volume compared with only 34% in same period last year**
- ❖ **Unit production costs for comparable models down 3-5%**
- ❖ **“Geely Kingkong” achieved encouraging sales and good profitability**
- ❖ **Exports sales volume more than doubled to 6,933 units**
- ❖ **Successful launch of Geely’s first mid-end model “Vision”**
- ❖ **47% increase in Average Selling Price**



Monthly Sales Performance



Source: Geely Holding



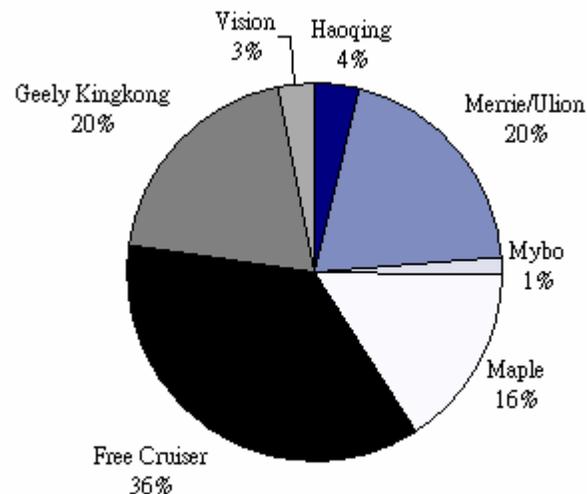
Sales Breakdown of Major Associates



Sales Volume Breakdown (6 months to June)			
(units)	2007	2006	+/- % ch.
Haoqing	3,292	11,777	-72%
Merrie/Ulion	16,889	28,697	-41%
Mybo	974	2,176	-55%
Maple	13,224	14,662	-10%
Free Cruiser	30,606	28,826	6%
Geely Kingkong	16,504	500	3201%
Vision	2,622	3	87300%
Total	84,111	86,641	-3%
Lower end models	34,379	57,312	-40%
Higher end models	49,732	29,329	70%

❖ 70% YoY increase in sales volume of higher priced models was more than offset by 40% decline in lower priced models

❖ Sales of higher priced models accounted for 59% of total sales volume



Consolidated Income Statement



Income Statement (HK\$m, 6M to June)	2007	2006	YoY %
Revenue	65.6	69.3	-5%
Cost of sales	-57.5	-60.0	-4%
Gross profit	8.1	9.3	-13%
Other income	9.7	7.8	23%
Distribution and selling expenses	-1.8	-1.9	-9%
Administrative expenses	-22.1	-10.7	106%
Finance costs	-20.8	-10.1	105%
Loss from revaluation of CBs	-18.6	-7.5	148%
Share of results of associates	129.6	137.7	-6%
Profit before taxation	84.1	124.5	-32%
Income tax expense	-0.7	-0.8	-13%
Profit for the period	83.3	123.7	-33%
Minority interests	-0.9	-3.0	-69%
Profit attributable to shareholders	82.4	120.7	-32%
EPS (HK cents) - Basic	1.77	2.93	-40%
EPS (HK cents) - Diluted	1.74	2.78	-37%

- ❖ Net profit at auto parts subsidiary Zhejiang Fulin down 11% to HK\$5.3m
- ❖ Other income include HK\$8m of interest income
- ❖ Administrative expenses include HK\$7m startup cost at Shanghai LTI
- ❖ Non-cash expenses related to CBs amounted to HK\$39m



Consolidated Balance Sheet



Consolidated Balance Sheet (HK\$m)	Jun-07	Dec-06
Property, plant & equipment	13.5	12.3
Interests in associates	1,858.7	1,667.0
	1,872.2	1,679.3
Inventory	11.8	9.9
Tax recoverable	0.7	0.0
Trade and other receivables	68.5	59.1
Dividend receivable from associates	219.6	74.8
Time deposits, bank balances & cash	623.0	21.0
Current assets	923.7	164.8
Trade and other payables	32.9	23.7
Amount due to holding company	3.7	11.2
Taxation	0.0	0.3
Convertible bonds-embedded derivatives	51.5	53.9
Short-term bank borrowings	19.0	22.3
Current liabilities	107.2	111.3
Net current assets	816.6	53.5
	2,688.8	1,732.8
Financed by:		
Share capital	101.3	83.0
Reserves	1,925.9	947.1
Shareholders' equity	2,027.3	1,030.2
Minority interests	230.8	19.8
Total equity	2,258.1	1,049.9
Convertible bonds	430.7	682.8
	2,688.8	1,732.8

- ❖ More than half of the CB issued have been converted so far
- ❖ In net cash position after a top-up new equity issue in February 2007 raising HK\$609m for the Company



Major Associates – Combined Income Statement



Major Associates - Combined Income Statement			
(HK\$m, 6M to June)	2007	2006	YoY %
Turnover	5,006.2	3,288.2	52%
Cost of sales	-4,534.2	-2,728.4	66%
Sales tax	-0.9	-3.8	-77%
Gross profit	471.2	556.0	-15%
Other net operation income	191.6	70.1	173%
Distribution and selling expenses	-200.5	-144.2	39%
Administrative expenses	-126.9	-148.1	-14%
Profit from operations	335.4	333.9	0%
Finance costs	-41.1	-17.6	134%
	294.2	316.4	-7%
Taxation	-15.4	-23.9	-36%
Profit before minority interests	278.8	292.5	-5%
Minority interests	-2.0	1.7	-214%
Net profit	276.9	294.2	-6%
Ratio Analysis			
Gross margin	9.4%	16.9%	-44%
Operating margin	6.7%	10.2%	-34%
Net margin	5.5%	8.9%	-38%

- ❖ Improvement in product mix helps lift ASP and turnover significantly
- ❖ Margins however were affected by 5-6% price cuts and increased expenses related to new product launches
- ❖ Lower effective tax rates due to tax holiday enjoyed by two newly set up associates



Major Associates – Combined Balance Sheet



Major Associates - Combined Balance Sheet		
(HK\$m)	Jun-07	Dec-06
Property, plant and equipment	2,568.4	2,096.9
Intangible assets	153.7	145.5
Prepaid lease payments	972.5	623.4
Goodwill	42.7	42.5
Long-term deferred expenses	3.1	2.0
Long-term investment	2.0	2.0
	3,742.5	2,912.4
Inventory	605.0	574.1
Prepaid lease payments	25.3	20.8
Bills receivables	1,610.0	1,246.4
Trade and other receivables	580.5	301.8
Amount due from related companies	1,327.5	902.0
Short-term investment	9.7	7.7
Pledged deposit	194.1	242.8
Bank balances and cash	686.2	741.6
Current assets	5,038.3	4,037.2
Bank borrowings	1,217.3	960.0
Bills payable	375.6	390.0
Trade and other payables	2,842.4	1,018.7
Amount due to related companies	423.7	754.0
Taxation	29.8	24.4
Provision	2.5	2.6
Dividend payable	224.9	149.5
Current liabilities	5,116.3	3,299.2
Net current assets	(77.9)	738.0
	3,664.5	3,650.4
Financed by:		
Share capital	2,959.7	2,959.7
Reserves	575.6	601.5
Shareholders' equity	3,535.3	3,561.2
Minority interests	19.9	18.6
Other long-term liabilities	109.3	70.6
	3,664.5	3,650.4

❖ **Setting up of Zhejiang Kingkong and Zhejiang Ruhoo significantly increased the amount of intra company transactions and resulted in increase in amount due to and from related companies**

❖ **Both accounts receivable and inventory remained at healthy levels**

❖ **Net debt to equity ratio at less than 10%**



Major Associates – Ratio Analysis



Financial Analysis (6M to June)	2007	2006	+/- % ch.
Average unit ex-factory price (HK\$)	53,745	36,554	47%
Average unit gross profit per car (HK\$)	5,602	6,418	-13%
Average unit net profit per car (HK\$)	3,292	3,395	-3%
Accounts receivable T/O (days)	20.9	16.5	27%
Inventory T/O (days)	24.0	37.2	-35%
Effective tax rate	5%	8%	-31%
Distribution/selling expenses/turnover	4%	4%	-9%
Administrative expenses/turnover	3%	5%	-44%
Distribution/selling expenses per car (HK\$)	2,384	1,664	43%
Administrative expense per car (HK\$)	1,508	1,709	-12%

- ❖ Average ex-factory price up 47% due to improving product mix, more than offsetting price cuts
- ❖ Net profit per car down 3% due to 5-6% price cut for existing models and high costs and expenses related to launches of new high-end models
- ❖ Both A/R and inventory at healthy levels



2007 Plans and Targets



- ❖ Produce and sell a total of 190,000 units of vehicles in 2007, up 16% from 2006
- ❖ Expanding production capacity from 200,000 units to 300,000 units per annum by early 2008 through expansion and upgrading of Ningbo and Shanghai plants
- ❖ Budgeted capex at the four associates at RMB700-800 million in 2007
- ❖ Launches of at least 6 new models, plus two new transmissions
- ❖ Exports of around 20,000 units of vehicles in 2007 (vs. 10,000 units in 2006)



2007 New Products



Major new products launched in 1H2007

- ❖ Geely “Merrie Star” 2007 facelift (1.05L, 1.3L)
- ❖ “Geely Kingkong” power version (1.8L)
- ❖ Geely “Vision” mid-end sedan (1.8L)
- ❖ Maple “Marindo” economy version (1.3L)



Scheduled new launches in 2H2007

- ❖ Geely “JL-Z142” 4-speed automatic gearboxes
- ❖ Geely “JL-S148” manual gearboxes
- ❖ Geely “Free Cruiser” 2008 version (1.3L, 1.5L)
- ❖ Maple “Haifeng” mid-end sedans (1.5L, 1.8L)

