



(Stock Code : 0175)



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



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. Li Shu Fu (*Chairman*)
Mr. Gui Sheng Yue (*Chief Executive Officer*)
Mr. Ang Siu Lun, Lawrence
Mr. Xu Gang
Mr. Yang Jian
Mr. Yin Da Qing, Richard
Mr. Liu Jin Liang
Mr. Zhao Jie

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

AUDIT COMMITTEE:

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

REMUNERATION COMMITTEE:

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

COMPANY SECRETARY:

Mr. Cheung Chung Yan, David

QUALIFIED ACCOUNTANT:

Mr. Cheung Chung Yan, David

AUDITORS:

Deloitte Touche Tohmatsu

LEGAL ADVISORS IN HONG KONG:

Sidley Austin
Preston Gates Ellis

LEGAL ADVISOR ON CAYMAN ISLANDS LAW:
Maples and Calder

PRINCIPAL BANKERS:

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

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REGISTERED OFFICE:

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Grand Cayman, Cayman Islands,
British West Indies

SHARE REGISTRARS & TRANSFER OFFICE:

Union Registrars Limited
311-312, Two Exchange Square,
Central, Hong Kong

New address to be effective on or after 3 October 2006
Room 1803 Fook Lee Commercial Centre
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Wanchai, Hong Kong

INVESTOR & MEDIA RELATIONS:

Jovian Financial Communications Ltd.

DESIGN & PRODUCTION:

HeterMedia Services Limited

LISTING INFORMATION:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

COMPANY'S WEBSITE:

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INDEPENDENT INTERIM REVIEW REPORT

TO THE BOARD OF DIRECTORS OF GEELY AUTOMOBILE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 3 to 18.

DIRECTORS' RESPONSIBILITIES

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 September 2006



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	NOTES	Six months ended 30 June	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Revenue		69,331	35,881
Cost of sales		(59,986)	(34,094)
Gross profit		9,345	1,787
Other income		7,840	201
Distribution and selling expenses		(1,949)	(167)
Administrative expenses		(10,714)	(7,953)
Fair value loss on embedded derivatives components of convertible bonds		(7,518)	-
Effective interest expense on convertible bonds	9	(10,142)	-
Share of profits of associates		137,680	47,446
Profit before taxation		124,542	41,314
Income tax expense	4	(842)	-
Profit for the period	5	123,700	41,314
Attributable to:			
Equity holders of the Company		120,699	40,779
Minority interests		3,001	535
		123,700	41,314
Dividend paid	6	41,203	41,203
Earnings per share	7		
Basic		HK2.93 cents	HK0.99 cents
Diluted		HK2.78 cents	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	NOTES	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	8	11,185	7,433
Interests in associates	10	696,600	786,996
		707,785	794,429
Current assets			
Inventories	11	15,332	5,703
Trade and other receivables	12	38,256	44,840
Dividend receivable from associates		189,234	8,220
Convertible bonds - embedded derivatives	9	220,931	-
Time deposits, bank balances and cash	13	744,966	8,449
		1,208,719	67,212
Current liabilities			
Trade and other payables	14	39,621	34,817
Amounts due to related companies	15	1,077	923
Amount due to a minority shareholder	15	5,357	4,588
Amount due to immediate holding company	15	11,220	14,220
Convertible bonds - embedded derivatives	9	280,131	-
		337,406	54,548
Net current assets		871,313	12,664
Total assets less current liabilities		1,579,098	807,093
Capital and reserves			
Share capital	16	82,405	82,405
Reserves		798,252	715,675
Equity attributable to equity holders of the Company		880,657	798,080
Minority interests		12,014	9,013
Total Equity		892,671	807,093
Non-current liabilities			
Convertible bonds	9	686,427	-
		1,579,098	807,093



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to the equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2005	82,405	533,964	-	1,179	3,089	32,810	653,447	4,466	657,913
Exchange difference on translation of overseas operations recognised directly in equity	-	-	-	(178)	-	-	(178)	-	(178)
Profit for the period	-	-	-	-	-	40,779	40,779	535	41,314
Total recognised income and expenses for the period	-	-	-	(178)	-	40,779	40,601	535	41,136
Recognition of share-based payments	-	-	-	-	523	-	523	-	523
Dividend paid	-	-	-	-	-	(41,203)	(41,203)	-	(41,203)
At 30 June 2005 and 1 July 2005	82,405	533,964	-	1,001	3,612	32,386	653,368	5,001	658,369
Exchange difference on translation of overseas operations recognised directly in equity	-	-	-	12,955	-	-	12,955	(3)	12,952
Profit for the period	-	-	-	-	-	70,048	70,048	4,015	74,063
Total recognised income and expenses for the period	-	-	-	12,955	-	70,048	83,003	4,012	87,015
Recognition of share-based payments	-	-	-	-	5,015	-	5,015	-	5,015
Deemed contribution from shareholders (Note)	-	-	56,694	-	-	-	56,694	-	56,694
At 31 December 2005 and 1 January 2006	82,405	533,964	56,694	13,956	8,627	102,434	798,080	9,013	807,093
Exchange difference on translation of overseas operations recognised directly in equity	-	-	-	96	-	-	96	-	96
Profit for the period	-	-	-	-	-	120,699	120,699	3,001	123,700
Total recognised income and expenses for the period	-	-	-	96	-	120,699	120,795	3,001	123,796
Recognition of share-based payments	-	-	-	-	2,985	-	2,985	-	2,985
Dividend paid	-	-	-	-	-	(41,203)	(41,203)	-	(41,203)
At 30 June 2006	82,405	533,964	56,694	14,052	11,612	181,930	880,657	12,014	892,671

Note: Deemed contribution from shareholders mainly represent difference between the consideration received and the fair value of net assets of the subsidiaries disposed of by the associates of the Group to Zhejiang Geely Holding Group Company Limited, a company beneficially owned by the substantial shareholder of the Company.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,030	(5,366)
NET CASH FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(4,374)	(867)
Dividend received from associates	47,157	48,503
Interest received	6,975	17
	49,758	47,653
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Net proceeds from issuance of convertible bonds	727,872	-
Dividend paid	(41,161)	-
Other financing activities	(2,078)	(1,423)
	684,633	(1,423)
NET INCREASE IN CASH AND CASH EQUIVALENTS	736,421	40,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,449	1,499
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	96	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD, representing time deposits, bank balances and cash	744,966	42,363



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRS”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial position of the Group.

A summary of the Group’s new accounting policy adopted in the current period is as follow:

Convertible bonds

In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the issuer recognises the convertible bonds as liabilities with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. An embedded option-based derivative (such as a put, call, and conversion) is separated from its host contract on the basis of the stated terms of the option feature. At the date of issue, both the embedded derivatives and liability component are recognised at fair value.

Issue costs are apportioned between the liability component and the conversion option derivative of the convertible bonds based on their relative fair value at the date of issue. The portion relating to the conversion option derivative is charged directly to the profit or loss and the remaining portion is deducted from the liability component.

The liability component is subsequently measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid (if any) is added to the carrying amount of the liability component. The embedded derivatives are subsequently measured at their fair values at each balance sheet date.



3. SEGMENT INFORMATION

Business Segments

No business segment information has been presented for the six months period ended 30 June 2006 and 30 June 2005 as the directors considered that the Group is principally engaged in manufacturing and trading of automobile parts and related automobile components which accounts for the total turnover and trading profits of the Group for the periods.

Geographical segments

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
PRC income tax	842	-

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

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	6,346	4,859
Retirement benefits scheme contributions	136	151
Total staff costs	6,482	5,010
Depreciation	622	377
Recognition of share-based payments (included in administrative expenses)	2,985	523
Share of tax of associates (included in share of profits of associates)	15,837	-
Cost of inventories recognised	59,986	34,094
Interest income from bank deposits	(6,975)	(17)



6. DIVIDEND

During the current period, dividend of HK1 cent per share, amounting to approximately HK\$41,203,000, was paid to shareholders as final dividend for the year ended 31 December 2005.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2006 is based on the following data:

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company and earnings for the purpose of basic earnings per share	120,699	40,779
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	10,142	-
Fair value loss on embedded derivatives components of convertible bonds	7,518	-
Earnings for the purpose of diluted earnings per share	138,359	40,779

	Six months ended 30 June	
	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,120,264,902	4,120,264,902
Effect of dilutive potential ordinary shares:		
Share options	16,652,899	-
Convertible bonds	833,258,427	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,970,176,228	4,120,264,902

No diluted earnings per share had been presented for the six months ended 30 June 2005 because the exercise price of the share options was higher than the average market price per share for that period. No convertible bond was in issue or outstanding for 2005.

8. PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4,374,000 on acquisition of plant and equipment.



9. CONVERTIBLE BONDS

On 10 April 2006, the Company issued HK\$741.6 million zero coupon convertible bonds due 2011 (“CB 2011”). The CB 2011 are listed on the Singapore Stock Exchange. The CB 2011 does not bear interest. Unless previously redeemed, converted or purchased and cancelled, the CB 2011 will be redeemed by the Company at 126.456 per cent of their principal amount on 10 April 2011. All of these bonds may be redeemed and converted at the option of the Company, in whole or in part, from time to time, (i) on or after 10 April 2008 when the closing price of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) shall have been at least 130 per cent of the conversion price for each of the 30 consecutive trading day period or (ii) at any time providing at least 90% of the principal amount of the CB 2011 has been converted, redeemed or purchased and cancelled and (iii) the Company may, at its option, satisfy its obligation to deliver shares following the exercise of the right of conversion by a holder, in whole or in part, by paying to relevant holder a cash amount which equal to the number of shares deliverable upon exercise of the conversion right and average closing price of the shares. The conversion price is subject to a “reset feature” which include (a) a reset on 10 April 2007 and 10 April 2008 by reference to the average market price of the Company’s shares in the past 20 trading days prior to the respective reset dates and (b) reset price shall not be less than 80% of the conversion price at the reset dates and shall not be reduced below the par value of the shares.

On 10 April 2009, the bondholders may, at their options, require the Company to redeem all or some of the bonds at 115.123 per cent of the principal amount.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2006 HK\$’000 (Unaudited)
Fair value of convertible bonds at issue date	689,917
Less: Transaction costs	(13,632)
	676,285
Add: Accrued interest	10,142
Liability component at 30 June	686,427

Accrued interest on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 6.76% to the liability component.

The derivatives embedded in the CB 2011 comprises a put option, a call option and a conversion option. They are measured at fair value at both issuance date and 30 June 2006 by an independent professional valuer, BMI Appraisal Limited.



10. INTERESTS IN ASSOCIATES

	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
Share of net assets	696,600	786,996

The following details have been extracted from the unaudited financial statements of the Group's significant associates, Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") and Shanghai Maple Guorun Automobile Company Limited ("Maple Guorun").

	Zhejiang Geely HK\$'000 (Unaudited)	Maple Guorun HK\$'000 (Unaudited)
Results for the period ended 30 June 2006		
Revenue	2,600,166	687,997
Profit for the period	262,497	31,692
Group's share of result of associates for the period	122,848	14,832
Financial position at 30 June 2006		
Non-current assets	1,113,456	597,147
Current assets	2,835,658	383,398
Current liabilities	(2,897,305)	(537,049)
Non-current liabilities	(4,516)	(2,328)
Net assets	1,047,293	441,168
Net assets attributable to the Group	490,133	206,467



11. INVENTORIES

	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
At costs:		
Raw materials	8,596	2,366
Work in progress	2,327	1,288
Finished goods	4,409	2,049
	15,332	5,703

12. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade and bills receivables of approximately HK\$35,261,000 (31 December 2005: HK\$43,966,000).

The following is an aged analysis of trade and bills receivables at the balance sheet date:

	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
0 - 60 days	35,261	43,489
61 - 90 days	-	67
Over 90 days	-	410
	35,261	43,966
The trade and bills receivables comprise:		
Trade and bills receivables from associates	35,261	24,925
Trade and bills receivables from group companies of an associate	-	19,041
	35,261	43,966

13. TIME DEPOSITS, BANK BALANCES AND CASH

The time and bank deposits carry variable interest rates at HIBOR minus 0.10% per annum (2005: 0.16% per annum) and are called on demand.



14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$34,331,000 (31 December 2005: HK\$27,047,000).

The following is an aged analysis of trade payables at the balance sheet date.

	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
0 - 60 days	24,263	24,576
61 - 90 days	6,007	1,989
Over 90 days	4,061	482
	34,331	27,047

15. AMOUNTS DUE TO RELATED COMPANIES/A MINORITY SHAREHOLDER/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, interest free and repayable on demand.

16. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.02 each		
Authorised:		
At 31 December 2005 and 30 June 2006	8,000,000,000	160,000
Issued and fully paid:		
At 31 December 2005 and 30 June 2006	4,120,264,902	82,405



17. OPERATING LEASE COMMITMENTS

For the period ended 30 June 2006, the Group paid minimum lease payments under operating lease in respect of office premises of HK\$810,000 (31 December 2005: HK\$1,478,000).

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

	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
Within one year	1,361	1,706
In the second to fifth year inclusive	215	1,212
	1,576	2,918

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average term of two years.

18. RETIREMENT BENEFIT SCHEME

The Group participates in an 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 employees. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK\$20,000 per employee.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute 9 to 30% of the employee's basic salary to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect of the retirement benefit scheme is to make the specified contributions.



19. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	254,500,000
Granted during the period	13,000,000
<hr/>	
Outstanding at the end of the period	267,500,000

The closing price of the Company's shares immediately before 23 May 2006, the date of grant of the options during the period, was HK\$0.79.

In the current period, share options were granted on 23 May 2006. The fair values of the options determined at the dates of grant using the Black-Scholes option pricing model were HK\$1,235,000.

The vesting period of 4,230,000 share options are from 23 May 2006 to 10 July 2006 and 8,770,000 share options are from 23 May 2006 to 10 July 2007. The remaining share options will fully vest on 4 August 2006.

The variables and assumptions used in computing the fair values of the share options are based on valuations performed by an independent professional valuer, BMI Appraisal Limited.



20. RELATED PARTY TRANSACTIONS

Other than disclosed in note 12, the Group had the following material transactions and balances with related parties during the period.

(A) Transactions

Related parties	Nature of transactions	Six months ended 30 June	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Associates			
Zhejiang Geely Automobile Company Limited	Sales of automobile parts and components	69,271	1,355
	Purchase of automobile part and components	580	-
	Dividend income	174,489	48,045
Shanghai Maple Guorun Automobile Company Limited	Dividend income	53,683	457
Related companies (note)			
Zhejiang Haoqing Automobile Manufacturing Company Limited	Sales of automotive parts and components	-	34,467
Zhejiang Guo Mei Decoration Material Company Limited	Rental expense	217	226

(B) Balances

Related parties	Nature of transactions	30 June	31 December
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Minority shareholder of a subsidiary			
Zhejiang Fulin Automobile Parts & Components Company Limited	Advance	5,357	4,588
Immediate holding company			
Proper Glory Holding Inc.	Advance	11,220	14,220
Related companies (note)			
Zhejiang Guo Mei Decoration Materials Company Limited	Rental payable	1,077	923
Associates			
Zhejiang Geely Automobile Company Limited	Dividend receivables	147,018	8,220
Shanghai Maple Guorun Automobile Company Limited	Dividend receivables	42,216	-

Note: A controlling shareholder of the Company is also the controlling shareholder of the related companies.



(C) Compensation of key management personnel

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

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
Short-term benefits	1,826	1,872
Retirement benefits scheme contributions	17	30
	1,843	1,902

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

21. POST BALANCE SHEET EVENTS

(1) On 25 July 2006, the Group entered into a First Capital Increase Agreement (the "First Agreement") with Zhejiang Geely Merrie to increase its registered capital by way of prorata subscription in Zhejiang Geely (as defined in the Company's announcement dated 25 July 2006). Pursuant to the First Agreement, the registered capital of Zhejiang Geely will increase from approximately US\$82.8 million to approximately US\$176.27 million (equivalent to approximately RMB1,410.13 million or HK\$1,371.35 million). The interest of the Group in Zhejiang Geely remains unchanged upon completion of the First Agreement.

On 23 August 2006, the Group entered into a Second Capital Increase Agreement (the "Second Agreement") with Zhejiang Geely Merrie (as defined in the Company's announcement dated 23 August 2006) to increase the registered capital of Zhejiang Geely from approximately US\$176.27 million to US\$231.01 million (equivalent to approximately RMB1,848.07 million or HK\$1,797.24 million). The interest of the Group in Zhejiang Geely remains unchanged upon completion of the Second Agreement.

(2) On 25 July 2006, the Group entered into a Capital Increase Agreement (the "Agreement") with Shanghai Maple Automobile to increase their registered capital by way of prorata subscription in Shanghai Maple. Pursuant to the Agreement, the registered capital of Shanghai Maple will increase from approximately US\$51.7 million to approximately US\$99.76 million (equivalent to approximately RMB798.11 million or HK\$776.16 million). The interest of the Group in Shanghai Maple remains unchanged upon completion of the Agreement.



FINANCIAL HIGHLIGHT

MAJOR ASSOCIATES

A summary of the combined results and the assets and liabilities of the Group's major associates, namely Zhejiang Geely Automobile Company Limited and Shanghai Maple Guorun Automobile Company Limited is set out below:

Combined results - Major associates (Unaudited)

	For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Turnover	3,288,163	1,951,217
Cost of sales	(2,728,357)	(1,647,478)
Sales tax	(3,763)	(46,086)
Gross profit	556,043	257,653
Other net operating income	70,136	112,103
Distribution and selling expenses	(144,172)	(129,519)
Administration expenses	(148,073)	(99,136)
Profit from operations	333,934	141,101
Finance costs	(17,578)	(23,435)
	316,356	117,666
Non-operating income	-	464
Non-operating expenses	-	(2,622)
Profit before tax	316,356	115,508
Income tax	(23,872)	(13,934)
Profit for the period	292,484	101,574
Attributable to:		
Shareholders of the parent company	294,189	101,380
Minority interests	(1,705)	194
Profit for the period	292,484	101,574
Gross profit margin	16.9%	13.2%
Profit margin	8.9%	5.2%



Combined assets and liabilities – Major associates (Unaudited)

	As at 30 June 2006 <i>HK\$'000</i>	As at 31 December 2005 <i>HK\$'000</i> (restated)
Non-current assets		
Property, plant and equipment	1,311,127	1,214,957
Other long-term assets	206,111	221,665
Prepaid lease payments	144,715	147,454
Goodwill	46,727	46,727
Long term investment	1,923	1,923
	1,710,603	1,632,726
Current assets		
Inventories	514,403	395,635
Prepaid lease payments	5,478	5,478
Bills receivables	799,640	1,120,815
Trade and other receivables	203,593	189,108
Amounts due from related companies	631,319	1,588,440
Short term investment	7,534	7,692
Bank balances and cash	1,057,089	1,124,663
	3,219,056	4,431,831
Current liabilities		
Bank borrowing	(830,872)	(985,095)
Bills payables	(769,231)	(1,201,923)
Trade and other payables	(844,488)	(1,733,094)
Amounts due to related companies	(779,693)	(409,210)
Taxation	(17,179)	(23,805)
Provision	(3,544)	(6,594)
Dividend payables	(189,347)	(14,673)
	(3,434,354)	(4,374,394)
Net current (liabilities)/assets	(215,298)	57,437
Total assets less current liabilities	1,495,305	1,690,163
Net assets	1,495,305	1,690,163
Equity		
Share capital	1,069,706	1,069,706
Reserves	418,755	611,908
Equity attributable to shareholders of the parent company	1,488,461	1,681,614
Minority interests	6,844	8,549
Total equity	1,495,305	1,690,163



MANAGEMENT DISCUSSION AND ANALYSIS

2006 INTERIM RESULTS

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006. These interim results have been reviewed by the Company’s Audit Committee, comprising a majority of independent non-executive directors, one of whom chairs the committee, and the Company’s auditors, Deloitte Touche Tohmatsu.

Overall Performance

The Company’s turnover, which principally came from the Company’s 51%-owned auto parts subsidiary Zhejiang Fulin Guorun Automobile Parts & Components Co. Ltd (“Zhejiang Fulin”), amounted to HK\$69.3 million for the six months ended 30 June 2006, representing an increase of 93.2% over the same period last year. Profit attributable to shareholders amounted to HK\$120.7 million, a significant increase of 196% over the same period in 2005. The big increase in net profit was mainly attributable to the large increase in profit contribution from the Company’s two associates – Zhejiang Geely Automobile Company Limited (“Zhejiang Geely”) and Shanghai Maple Guorun Automobile Company Limited (“Shanghai Maple”) – mainly due to their strong sales volume growth as well as the improvement in their product mixes towards higher priced models during the period.

The earnings performance of the Company’s 51%-owned auto parts subsidiary Zhejiang Fulin in the first half of 2006 continued to benefit from strong sales volume growth of Geely sedans, which utilize the company’s braking and steering products. As a result, Zhejiang Fulin’s net profit increased by almost 4.4 times to HK\$6 million during the period.

As a result of the issue of the 5-year HK\$741.6 million zero coupon convertible bonds (“CB”) in April 2006, the Company’s cash holding increased significantly towards the end of first half 2006, resulting in significant increase in interest income, which was included in the other operating income during the period. This, however, was more than offset by the additional costs incurred by the CB outstanding during the period, mainly being non-cash expenses like accrued interests for the debt portion of the CB and the revaluation deficit of the derivative portion of the CB. It is estimated that the net expenses related to the convertible bonds should have reduced the Company’s pre-tax profit by around HK\$11 million in the first half of 2006.

Issue of Convertible Bonds to Fund the Capital Expansion of the Two Associates

To cope with the rapid growth of the Group’s businesses through the expansion and upgrading of the Group’s production facilities and the development and launches of more new models, the Company’s two associates Zhejiang Geely and Shanghai Maple had decided to significantly expand their capitals from a combined HK\$1,046 million to HK\$2,573 million by way of pro rata subscription by their respective shareholders. With its 46.8% stakes in the two associates, the Company’s total entitlements towards the capital expansion exercises amounted to HK\$715 million. To fund the Company’s capital commitments to the two associates, the Company issued a HK\$741.6 million five-year zero coupon convertible bonds in April 2006.



Automobile Parts Manufacturing – Zhejiang Fulin Guorun Automobile Parts and Components Co. Ltd
51%-owned Zhejiang Fulin is principally engaged in the manufacturing and sales of brake system and electric power steering (“EPS”) for sedans. Demand for the Company’s products continued to be strong helped by the strong sales volume growth enjoyed by Geely and Maple sedans, which utilize the Company’s braking and steering products. As a result, Zhejiang Fulin’s turnover grew significantly by over 93.2% to HK\$69 million and net profit grew 440% to HK\$6 million in the first half of 2006. We believe Zhejiang Fulin’s earnings performance should continue to improve in the remainder of 2006, helped by the continued strong growth in sales volume projected by its major customers Zhejiang Geely and Shanghai Maple during the period. Zhejiang Fulin had started the research and development for the next generation of Electric Power Steering (“EPS”). The new generation of EPS, if successfully developed, should help to maintain the company’s leading position in EPS technology in China. This, coupled with the planned construction of new and larger production plant to replace the existing plant in the coming year, should help to sustain the company’s longer-term earnings growth in the future.

Vehicle Manufacturing – Zhejiang Geely and Shanghai Maple

46.8%-owned Zhejiang Geely and Shanghai Maple remain the key earnings contributors to the Company, accounting for the bulk of the Company’s earnings in the first half of 2006. The two associates sold a total of 91,953 vehicles in the first six months of 2006, up 60% over the same period last year and achieving 51% of their combined full year targets of 180,000 units. The combined market share of Geely and Maple sedans improved from 4.8% in 2005 to over 5% in the first half of 2006, making the Group the 9th largest sedan manufacturer in China in terms of sales volume during the period.

In addition to the rapid increase in sales volume, the two associates continued to improve their product mixes towards higher-priced models through the introduction of more higher-priced models like “Free Cruiser” with automatic transmissions and the 1.5L-1.6L “Geely Kingkong”. Sales of higher-priced models like “Mybo”, “Free Cruiser”, “Geely Kingkong” and “Maple” accounted for 56% of their total sales volume in the first half of 2006 compared with only 38% in 2005. In particular, “Free Cruiser”, the Group’s key new product last year, continued to receive very good market response and achieved a tremendous success in the first half of 2006 with a total sales volume of 31,542 units during the period. “Geely Kingkong” – the Group’s latest new mid-end sedan model, was officially launched in April 2006 and has so far received very encouraging response.

In the first half of 2006, Zhejiang Geely and Shanghai Maple recorded total net profit of HK\$294.2 million, up 190% over the same period in 2005, on 60% increase in sales volume to 91,953 units and 69% increase in total revenue to HK\$3,288 million. Average revenue per car improved 5% to HK\$35,759 per car as improved product mix more than offset the 4-10% price reduction by selected low-end models in April 2006. Net profit per car also improved significantly from HK\$1,971 (full year 2005) and HK\$1,768 (1st half 2005) per car to HK\$3,199 per car in the first half of 2006, helped by the improved margins for most of their models and strong demand for higher-priced “Free Cruiser” models, which accounted for 34% of the two associates’ total sales volume during the period.

Despite continued pressure from fierce competition and rising raw material prices in China’s sedan market in the first half of 2006, the two associates still managed to improve their margins through improvement of their product mixes to include more higher-priced and thus higher margin models and reduction of their total unit cost by over 5%, largely offsetting the 4-10% price cut effective from mid April 2006.



Production Plants

The Group's strategy is to continue the upgrading and expansion of its four production facilities in Linhai, Ningbo, Shanghai and Luqiao to further improve quality and reduce costs. In addition, the Group also plans to build new production facilities at less developed provinces in China for the benefit of proximity to new demand, lower costs and access to additional financial and other resources available in other provinces.

Geely Holding, which is ultimately owned by Mr. Li and his associates, has signed agreements or been in negotiations with local governments in the PRC to set up production plants for the manufacturing and distribution of sedans in four locations, namely Lanzhou, Xiangtan, Ningbo and Jinan. The potential production and distribution of sedans in these four locations by Geely Holding will constitute competing businesses (the "Competing Businesses") to those currently engaged by the Zhejiang JV and the Shanghai Maple JV, the Company's two associates in the PRC. Mr. Li had granted an unconditional option in favour of the Company (the "Option") that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to sell to the Group (1) all of the Competing Businesses and related assets, and (2) new projects that might constitute competing businesses to those currently engaged by the Group or the Company's two associates undertaken by Geely Holding subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable.

The construction of the second Shanghai Maple plant started in November 2005 was the most important expansion project undertaken by the Group in the first half of 2006. Superstructure of the new plant has been completed and installation of machinery and equipment has already started. The first phase of the new plant is scheduled to be completed by early 2007 and will expand Shanghai Maple's annual production capacity from 50,000 units to 110,000 units. Trial production at the new plant is scheduled to start in September 2006. Upon completion, the whole second plant will have an annual production capacity of 250,000 units.

Longer-term, the Group plans to expand its total annual production capacity from 250,000 units by the end of 2005 to 1 million units by end of 2010 through expansion of four existing plants and the planned acquisitions of new plants currently constructed by the Group's parent Geely Holding.

New Products

Major new product launches in the first half of 2006 are summarized below:

1. Geely JL-ZA series automatic gearboxes;
2. Geely "Free Cruiser" family sedan (1.5L with automatic transmissions)
3. Geely "Kingkong" mid-end sedans or LG-1 (1.5L, 1.6L);
4. Maple "Hisoon AB" hatchback sedans (1.8L)



In the second half of 2006, the Company's two associates plan to launch the following new products:

1. Geely "New Haoqing" economy sedans (1.05L, 1.3L);
2. Geely "New Merrie" hatchback sedans (1.1L, 1.3L);
3. Geely "New Ulion" family sedans;
4. Geely "Mybo II" sport cars;
5. Geely "FC-1" mid-end sedans (1.8L);
6. Maple "Marindo MB" mid-end sedans (1.8L);
7. Geely JL4G18 all aluminium CVVT engines

The Group's long-term new product development focus is to develop 15 brand new vehicle models, 8 new engines, 6 new manual transmissions, 6 new automatic transmissions, 3 ECVT (Electronically Controlled Continuously Variable Transmissions) and one hybrid project by 2010. The Group also plans to start the subcontract manufacturing of the right-hand drive versions of the "Free Cruiser" in Malaysia in the 4th quarter of 2006.

Exports

In the first half of 2006, the Company's two associates exported a total of 3,460 units of Geely and Maple sedans, or around 4% of the two associates' total sales volume, to overseas market, ranking the Group number two in terms of export volume amongst China's sedan manufacturers. The Company expects total export volume to be around 10,000 units for the full year 2006.

First Appearance in North American International Auto Show in Detroit

Zhejiang Geely displayed one model - Geely 7151 CK (called "Free Cruiser" in China market) - in the most important auto show in North America in January 2006. The committee of the motor show awarded Zhejiang Geely with a "Silver Diamond Award" for being the first Chinese auto company attending the motor show.

Outlook

We believe the strong growth in demand in China for fuel-efficient and easy-to-maintain affordable economy sedans should be sustainable in the coming decade, helped by China's consistent economic growth, rising household incomes and its still low car ownership at less than 1% of the population owning a car at present.

According to figures compiled by the China Association of Automobile Manufacturers, total sales volume of passenger cars in China grew 47% YoY in the first half of 2006 to 1.8 million, surpassing most market expectations. Although competition in China's sedan market appears to have intensified over the past few months, we expect the growth of China's sedan sales volume to be maintained at around 20% per annum in the coming few years. Total sales volume of sedans should exceed 3.5 million units for full year 2006, up over 25% from previous year. Longer-term, demand for environmental friendly, fuel efficient economy sedans should continue to grow faster than other types of sedans in the foreseeable future due to the continued migration of demand from corporates to individuals, and increased government intervention and incentives to promote economy sedans.



We maintained our year beginning target of raising our market share in China's sedan market from 4.8% in 2005 to over 5% in 2006, thus translating into full year sales volume target of 180,000 units in 2006, up over 35% from 2005. In the first half of 2006, the Group's two associates had sold 91,953 units of vehicles, achieving 51% of their combined full year target, thus putting us on track to achieve our full year sales target.

In the medium to longer term, the Group will continue to upgrade and expand our production facilities to improve quality and reduce costs, to build new production facilities in less developed provinces to develop new markets and generate additional demand for Geely and Maple sedans, to invest in product and technology innovation in order to differentiate our products from the rest of the market, and to establish strategic alliances with major suppliers to reduce volatility of raw material and component costs, with an aim to develop the Group into an internationally competitive sedan manufacturer. With the long-term objective of a 10% market share in China and exporting two third of output to overseas market by 2015, we are aiming at expanding our production volume to over 2 million units in the coming decade.

In addition, we shall actively seek for ways and opportunities to further rationalize and restructure the Company's structure, aiming at improving the Company's overall transparency and its effectiveness as the ultimate holding company of Geely Holding's auto related businesses. To achieve that, the Company would actively consider to raise its shareholdings in the two associates to over 50% subject to government approval and compliance with relevant regulations.

Looking forwards, China's sedan market in the remainder of 2006 appears to be a tougher market compared with the first half of 2006, due to intensified price competition since the second quarter of 2006, significant increase in the number of new model launches scheduled for the second half 2006, continued high oil prices which could dampen sedan demand, and continued aggressive investments by major international car makers in China. To maintain our competitiveness and thus our profitability levels, major effort and management resources will be allocated to strengthen quality control, brand building, technological upgrading and innovation, and further cost reduction.

CAPITAL STRUCTURE AND TREASURY POLICIES

The business activities of the Group are mainly financed by the share capital, dividend received from the Group's two major associates, proceeds of the convertible bonds issued by the Company on 10 April 2006 and cash generated from the operating activities. As at 30 June 2006, the Group's shareholders' fund amounted to approximately HK\$881 million (As at 31 December 2005: approximately HK\$798 million). No additional share was issued during the period.

EXPOSURE TO FOREIGN EXCHANGE RISK

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



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group's current ratio (current assets/current liabilities) was 3.58 (As at 31 December 2005: 1.23) and the gearing ratio of the Group was 79.8% (As at 31 December 2005: 2.4%) which was calculated on the Group's total borrowings to total shareholders' equity. Total borrowings (excluding the embedded derivatives of the Company's convertible bonds) as at 30 June 2006 amounted to approximately HK\$703 million (As at 31 December 2005: approximately HK\$19 million) were mainly the Company's convertible bonds, advances from immediate holding company and amount due to a minority shareholder. For the Company's convertible bonds, please refer to note 9 to the condensed consolidated financial statements. For the latter two, they were unsecured, interest-free and repayable on demand. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 30 June 2006, the total number of employees of the Group including associates was about 9,484 (As at 31 December 2005: approximately 7,714). 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.

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

As at 30 June 2006, 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	
<i>Shares</i>				
Mr. Li Shu Fu (<i>Note 1</i>)	Corporate	2,500,087,000	-	60.68%
Mr. Ang Siu Lun, Lawrence	Personal	2,270,000	-	0.06%
<i>Share options</i>				
Mr. Ang Siu Lun, Lawrence	Personal	35,000,000 (<i>Note 2</i>)	-	0.85%
Mr. Ang Siu Lun, Lawrence	Personal	10,000,000 (<i>Note 3</i>)	-	0.24%
Mr. Gui Sheng Yue	Personal	23,000,000 (<i>Note 3</i>)	-	0.56%
Mr. Xu Gang	Personal	23,000,000 (<i>Note 3</i>)	-	0.56%
Mr. Yang Jian	Personal	23,000,000 (<i>Note 3</i>)	-	0.56%
Mr. Liu Jin Liang	Personal	18,000,000 (<i>Note 3</i>)	-	0.44%
Mr. Zhao Jie	Personal	18,000,000 (<i>Note 3</i>)	-	0.44%
Mr. Yin Da Qing, Richard	Personal	16,000,000 (<i>Note 3</i>)	-	0.39%
Mr. Song Lin	Personal	1,000,000 (<i>Note 4</i>)	-	0.02%
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (<i>Note 4</i>)	-	0.02%
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (<i>Note 4</i>)	-	0.02%



Notes:

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



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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage (%)
		Long Position	Short Position	
Mr. Li Shu Fu	Geely Group Limited	50,000	-	100%
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 1)	-	(Note 1)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 2)	-	(Note 2)

Notes:

- (1) Zhejiang Geely Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Zhejiang Geely Merrie Automobile Company Limited. Zhejiang Geely Merrie Automobile Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 72.7%-owned by Mr. Li.
- (2) Shanghai Maple Guorun Automobile Company Limited is incorporated in the PRC and is 53.19%-owned by Shanghai Maple Automobile Company Limited. Shanghai Maple Automobile Company Limited is incorporated in the PRC and is 90%-owned by Zhejiang Geely Holding Group Company Limited. Zhejiang Geely Holding Group Company Limited is incorporated in the PRC and is 72.7%-owned by Mr. Li.

Save as disclosed above, as at 30 June 2006, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.



DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 June 2006, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's share options scheme approved and adopted on 31 May 2002 (the "Scheme"):

Name of Director	Outstanding Options as at 30 June 2006	Date of grant	Exercise period	Exercise price <i>HK\$</i>
Mr. Ang Siu Lun, Lawrence	35,000,000	23.2.2004	23.2.2004 - 22.2.2009	0.95
Mr. Ang Siu Lun, Lawrence	10,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Gui Sheng Yue	23,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Xu Gang	23,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Yang Jian	23,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Liu Jin Liang	18,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Zhao Jie	18,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Yin Da Qing, Richard	16,000,000	5.8.2005	5.8.2005 - 4.8.2010	0.70
Mr. Song Lin	1,000,000	23.5.2006	10.7.2006 - 16.5.2011	0.93
Mr. Yeung Sau Hung, Alex	1,000,000	23.5.2006	10.7.2006 - 16.5.2011	0.93
Mr. Lee Cheuk Yin, Dannis	1,000,000	23.5.2006	10.7.2006 - 16.5.2011	0.93
	169,000,000			

SHARE OPTION SCHEME

A share option scheme of the Company was approved and adopted on 31 May 2002. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to inter alia, directors and employees of the Company and its subsidiaries and other participants to subscribe for shares of the Company. Further details of the Scheme were disclosed in the Company's 2005 annual report.

Based on the Company's records as at 30 June 2006, except disclosed in the section headed "Directors' Right to Acquire Shares" above, 98,500,000 share options were granted by the Company to the employees and remain outstanding since its adoption.



INTERIM DIVIDEND

At a meeting of the Board held on 15 September 2006, the Directors resolved not to pay an interim dividend to shareholders (2005: Nil).

CONNECTED TRANSACTIONS

Other than disclosed in note 12 to the condensed consolidated financial statement, the Group had the following material transactions and balances with connected parties during the period.

(A) Transactions

Connected parties	Nature of transactions	Notes	Six months ended 30 June	
			2006 HK\$'000	2005 HK\$'000
Zhejiang Geely Automobile Company Limited	Sales of automobile parts and components to an associate		69,271	1,355
	Purchases of automobile parts and components from an associate		580	-
	Dividend received from an associate		174,489	48,045
Shanghai Maple Guorun Automobile Company Limited	Dividend received from an associate		53,683	457
Zhejiang Haoqing Automobile Manufacturing Company Limited	Sales of automotive parts and components to a related company	(i)	-	34,467
Zhejiang Guo Mei Decoration Materials Company Limited	Rental expense to a related company	(i)	217	226



(B) Balances

Connected parties	Nature of transactions	Notes	30 June	31 December
			2006	2005
			HK\$'000	HK\$'000
Zhejiang Geely Automobile Company Limited	Dividend receivable from an associate		147,018	8,220
Shanghai Maple Guorun Automobile Company Limited	Dividend receivable from an associate		42,216	-
Zhejiang Guo Mei Decoration Materials Company Limited	Rental expense payable to a related company	(i)	1,077	923
Zhejiang Fulin Automobile Parts & Components Company Limited	Advance from a minority shareholder of a subsidiary		5,357	4,588
Proper Glory Holding Inc.	Advance from an immediate holding company		11,220	14,220

Note:

- (i) A controlling shareholder (including his associates) of the Company is also the controlling shareholder of the related companies.



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

As at 30 June 2006, 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 Listing Rules)

Name	Capacity	Number of shares held		Shareholding Percentage (%)
		Long position	Short position	
Proper Glory Holding Inc. <i>(Note)</i>	Beneficial owner	2,500,000,000	-	60.68
Geely Group Ltd. <i>(Note)</i>	Beneficial owner	87,000	-	0.002
	Corporate	2,500,000,000	-	60.68
Deutsche Bank Aktiengesellschaft	Corporate	297,266,649	12,500,000	6.91
Cheah Cheng Hye	Corporate	208,535,000	-	5.06
Value Partners Limited	Corporate	208,535,000	-	5.06

Note:

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

Save as disclosed above, the Company had not been notified of any other person (other than the directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as at 30 June 2006 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2006.



CORPORATE GOVERNANCE

The Company has applied the principles and complied with the requirements as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Listing Rules on the Stock Exchange, with a major deviation from CG Code provision A.4.2 in respect of number and frequency of directors’ retirement by rotation throughout the review period. Details were disclosed in the Company’s 2005 Annual Report.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by Officer (the “Code”). All directors of the Company have confirmed their compliance during the review period with the required standards set out in the Model Code and the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. As at 30 June 2006, the audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin and Yeung Sau Hung, Alex, who are the independent non-executive directors of the Company.

APPRECIATION

The Board would like to express its gratitude to the 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

15 September 2006