ANNUAL REPORT 2012

吉利汽車控股有限公司

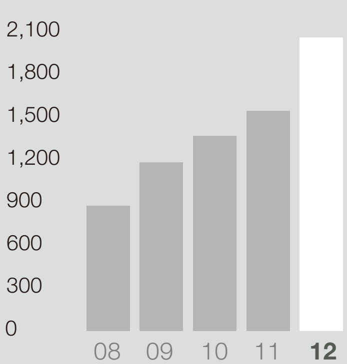
GEELY AUTOMOBILE HOLDINGS LIMITED

(Stock Code : 0175)

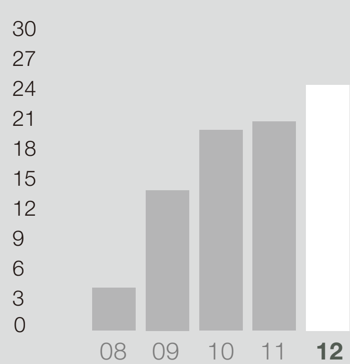
CONTENTS

KEY FIGURES

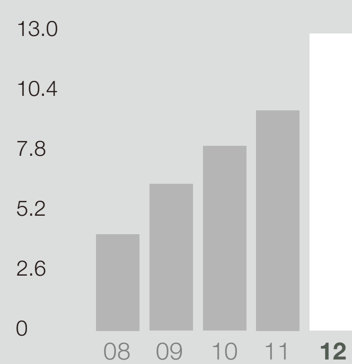
Profit attributable to equity holders of the Company
(RMB Million)



Turnover
(RMB Billion)



Equity attributable to equity holders of the Company
(RMB Billion)



FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

THE GROUP

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**24,627,913**	20,964,931	20,099,388	14,069,225	4,289,037
Profit before taxation	**2,529,077**	2,183,208	1,900,323	1,550,460	917,922
Taxation	**(479,291)**	(467,359)	(350,612)	(231,432)	(51,869)
Profit for the year	**2,049,786**	1,715,849	1,549,711	1,319,028	866,053
Attributable to:					
Equity holders of the Company	**2,039,969**	1,543,437	1,368,437	1,182,740	879,053
Non-controlling interests	**9,817**	172,412	181,274	136,288	(13,000)
	2,049,786	1,715,849	1,549,711	1,319,028	866,053
Assets and liabilities					
Total assets	**31,379,826**	27,596,758	23,974,343	18,802,189	10,150,969
Total liabilities	**(18,175,802)**	(17,446,643)	(14,896,666)	(11,705,669)	(5,368,488)
Total equity	**13,204,024**	10,150,115	9,077,677	7,096,520	4,782,481
Represented by:					
Equity attributable to equity holders of the Company	**12,886,657**	9,582,200	8,021,882	6,375,613	4,197,862
Non-controlling interests	**317,367**	567,915	1,055,795	720,907	584,619
	13,204,024	10,150,115	9,077,677	7,096,520	4,782,481

	Formula	**2012**	2011	Change in Percentage Increase/ (Decrease)
For the year				
Turnover (RMB'000)		**24,627,913**	20,964,931	17
Profit attributable to equity holders of the Company (RMB'000)	(1)	**2,039,969**	1,543,437	32
Per share				
Basic earning per share (RMB Cents)		**27.05**	20.72	31
Diluted earning per share (RMB Cents)		**26.34**	19.20	37
Dividend per share (HK Cents)		**3.9**	2.8	39
Net assets value (NAV) per share (RMB)	(2) / (5)	**1.56**	1.28	22
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	**12,886,657**	9,582,200	34
Total assets (RMB'000)	(3)	**31,379,826**	27,596,758	14
Borrowings (RMB'000)	(4)	**2,752,582**	4,901,325	(44)
Number of shares in issue	(5)	**8,258,948,934**	7,457,460,450	11
Share price during the year				
– High (HK$)		**3.88**	3.90	(1)
– Low (HK$)		**1.70**	1.42	20
Financial ratios				
Gearing ratio = (Borrowings / Equity attributable to equity holders of the Company)	(4) / (2)	**21.4%**	51.2%	(58)
Return on total assets	(1) / (3)	**6.5%**	5.6%	16
Return on equity attributable to equity holders of the Company	(1) / (2)	**15.8%**	16.1%	(2)

EDITORIAL

LETTER TO SHAREHOLDERS

Our profit attributable to equity holders for 2012 was RMB2.04 billion, representing an increase of 32% over 2011, mainly driven by contributions from new products, strong export sales and stable subsidy incomes.

Business Overview

China's sedan market remained stable in 2012. Demand for Sport Utility Vehicles ("SUVs") continued to grow fast, offsetting the slower growth in the sales of sedans and Multi-purpose Vehicles ("MPVs") during the year. On the positive front, the sales of indigenous brand sedans in China have showed sign of recovery since the fourth quarter of 2012, after two consecutive years of negative growth caused by the expiration of the automobile stimulation programme at the end of 2010. Having given its efforts to enhance product and service quality over the past few years, the Group has benefited from the recovery of the demand for affordable vehicles and achieved better than expected sales performance in 2012. While the overall growth in the Chinese sedan market only stabilised at 6% in 2012, the recovery in our domestic sales coupled with the continued strong growth in our export sales boosted our total year-on-year sales volume growth to over 15% in 2012, compared to our original target of 9% growth and the 1% overall sales volume growth we achieved in 2011.

The Group sold a total of 483,483 units of vehicles in 2012, up 15% from 2011, of which 21% or 101,908 units were sold abroad, up 157% from last year. In the Chinese market, the Group's sales volume in 2012 was flat at 381,575 units compared with 2011, as the negative growth in the first eight months of 2012 was offset by the recovery of our domestic sales since September 2012. "EC7" and new models launched during the year like "GX7", "GC7", "SC3" and "SC6" were the major contributors to the sales volume growth in 2012.

Financial Review

Overall, our financial performance in 2012 beat our original expectations with total revenue increased by 17% to RMB24.63 billion for the year ended 31 December 2012, reflecting a continued improvement in the product mix which resulted in a higher average ex-factory price. Profit attributable to the equity holders of the Company grew faster, up 32% to RMB2.04 billion, helped by the acquisition of additional 8% stakes in major operating subsidiaries (with details set out in the Company's circular dated 12 December 2011) completed in phases from December 2011 to February 2012. The Group's product mix continued to improve in 2012. Our flagship mid-sized sedan model "EC7", with retail prices ranging from RMB79,800 to RMB113,800, remained the Group's most popular model in terms of sales volume which accounted for 29% of the Group's total sales volume in 2012. Total net profit of the Group was up 19% from RMB1.72 billion in 2011 to RMB2.05 billion in 2012. After accounting for non-controlling interests, net profit attributable to shareholders of the Company was up 32% from RMB1.54

LETTER TO SHAREHOLDERS

billion in 2011 to RMB2.04 billion in 2012. The strong operational cash flow during the year combined with the full exercise of all the warrants and the partial conversion of the convertible bonds in November 2012 (with details set out in the Company's announcement dated 29 November 2012) had resulted in much stronger financial position of the Group with net cash of RMB1.7 billion at the end of 2012 compared with a net debt of RMB1.5 billion a year ago.

Dividend

The Board recommends the payment of a final dividend of HK3.9 cents per share for 2012 (2011: HK2.8 cents).

Prospects

The Chinese government's recent proposal of "New Urbanization" and its new economic target to double China's gross domestic product ("GDP") and per capita income by 2020 should bode well for domestic demand for motor vehicles. Despite an increasingly competitive market environment, the Group's competitive advantages have improved significantly. The management's focus on product quality and efficiency enhancement has put the Group in a strong position to meet new market challenges in the future and to benefit substantially from new opportunities in the global automobile industry, thereby enabling the management to further enhance returns to the Company's shareholders. Assuming the current recovery in China's sedan market continued in the remainder of the year, combined with the initial success of the new products launched so far, the continued strength of our export sales and the consistent improvement in the product mix, the Group should be well positioned to achieve even faster growth in 2013.

Challenges remain in 2013, including increased competitive pressure from other indigenous brands in China, and the emergence of increasing number of joint-venture indigenous brands, which are expected to create additional competition in China's sedan market by offering more affordable vehicles with good design and quality; and the implementation of more stringent regulatory requirements in product warranty, product recall and emissions standards. Further, some disruption to sales could happen if more cities in China started to implement restrictive policies on car purchases. Motor vehicle sales in most parts of the World market remains fragile given the still high level of uncertainties in most of the major economies. As a result, our export business could face increasing challenges given the fierce market competition and our relatively short history of operation in our major export markets.

On the positive front, general consumer perception over the Group's product brands and vehicle quality has continued to improve, after major investments and efforts made by the Group in enhancing product quality and after-sales services. The full commencement of production of automatic

transmissions at our plant in Xiangtan City in China in mid-2012 should enable the Group to equip most of our major vehicle models with automatic transmissions in 2013. The rapid growth of demand for motor vehicles in the lower tier cities in China and the shift of preference on vehicle procurement by the Chinese government towards more indigenous brand products should offer substantial growth opportunities to the Group. For the export side, we shall further expand and upgrade our export sales channels. Our export sales remain at small scales at the moment but offer huge growth potential for the Group's products over the longer-term.

The technological cooperation between the Group's parent, Zhejiang Geely Holding Group Company Limited ("Geely Holding"), and Volvo Car Corporation ("Volvo Car"), which is substantially owned by Geely Holding, has successfully started in 2012 with the commencement of technological cooperation in the areas of mid-sized car platform upgrade, interior air quality and vehicle safety. I am confident that the synergy benefits for both companies could become increasingly obvious in the near future, thus boding well for the Group's competitive strength in the areas of technology, quality and brands.

2013 should also see increased investment by the Group in the area of new energy vehicles, in particular, the electric vehicles. The Group's strategy is to leverage on the strength, resources and expertise of leading industry players to speed up the Group's product offering in electric vehicles.

Our focus in 2013 is to further strengthen our execution capabilities to ensure that our business strategies and plans could be properly implemented. In order to achieve sustainable growth, more emphasis will be placed on upgrading of our research and development ("R&D") capabilities, product competitiveness and the overall profitability. With the substantial investment in new products and technologies like automatic transmissions and turbo-charged engines over the past few years, our powertrain system has become far more fuel efficient and environmentally friendly. We shall also launch more MPV and SUV models in the coming years to further broaden our product lines. I firmly believe that the Group is well positioned to achieve its long-term target of becoming a leading international automobile group with good reputation and integrity, winning respects from its customers. Finally, I would like to pay tribute to all our staff for their hard work and achievements during 2012 and to our shareholders for their continued support.

Li Shu Fu
Chairman
20 March 2013

MANAGEMENT REPORT

PERFORMANCE & GOVERNANCE

Overall Performance

The Group's performance in 2012 was better than expectations as helped by a recovery of our domestic sales towards the end of the year and the continued strong export demand throughout the year. Good market response to our new models helped to boost the Group's sales performance since August 2012, enabling the Group to achieve positive growth in domestic sales since August 2012. As a result, the Group managed to sell similar number of vehicles in the China market in 2012 at 381,575 units as compared to that of 2011 and this was despite a 9% drop in domestic sales volume in the first half of 2012. Exports remained strong and sales volume grew 157% year-on-year to 101,908 units in 2012. Overall, the Group sold a total of 483,483 units of vehicles in 2012, up 15% from 2011. This compared with an 8% growth in China's combined sales volume of sedans and SUVs, and a 4% growth in China's overall sales volume of motor vehicles in 2012. Total revenues grew by 17% to RMB24.6 billion in 2012, reflecting the higher average selling price and the growth in the sales revenue of automobile parts and components. The Group's profit attributable to the equity holders grew faster at 32% to RMB2.04 billion in 2012, as a result of improved product mix, stable subsidy incomes and additional profit contribution from the acquisition of additional 8% stakes in key operating subsidiaries (with details set out in the Company's circular dated 12 December 2011) completed in phases from December 2011 to February 2012.

Partial Conversion of Convertible Bonds and Full Exercise of Warrants

In November 2012, the Company received conversion notices from GS Capital Partners VI Fund L.P. and/or its affiliates ("GS Capital") for the partial conversion of the "3% coupon Convertible Bonds due in 2014" or "CB 2014" issued by the Company in 2009 in the principal amount of RMB769.8 million at a conversion price of HK$1.8583 per share, resulting in the issue of 470.3 million new shares to GS Capital. On the same day, GS Capital also submitted exercise notices to the Company for the full exercise of all the warrants due in 2014 issued by the Company in 2009 at RMB1.9816 per share, resulting in the issue of additional 299.5 million shares to GS Capital. Total proceeds from the exercise of the warrants amounted to RMB593.5 million, which is available to the Group for its capital expenditures, potential acquisitions and general corporate purposes. After the conversion, the outstanding amount of the Company's CB 2014 would be RMB901.3 million.

Disposal of all the 51% interest in Shanghai LTI

The Group's parent, Zhejiang Geely Holding Group Company Limited ("Geely Holding"), acquired the business and the principal assets of Manganese Bronze Holdings plc ("MBH"), the manufacturer of the iconic London taxis which was put into administration on 30 October 2012, from MBH's administrator in early February 2013. The Group and MBH

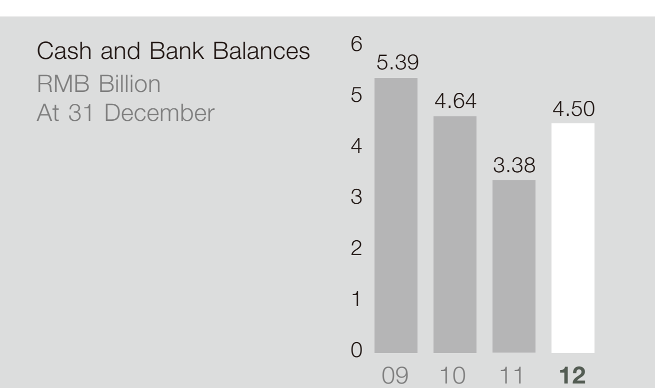
set up Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), a 51:48 joint-venture in Shanghai for the production of London taxis in June 2007. The remaining 1% stake in Shanghai LTI is indirectly owned by Geely Holding. To streamline its corporate structure and to avoid conflict of interests, the Group agreed to sell its entire 51% stake in Shanghai LTI to Geely Holding for a cash consideration of RMB173.4 million on 5 February 2013. The consideration was determined with reference to the net asset value of the 51% stake in Shanghai LTI as at 31 December 2012. As a result, the disposal is not expected to result in any gain or loss to the Group. As Shanghai LTI has not been generating any return to the Group since its incorporation and its scale of operation is small, the disposal will not have any material impact on the Group's financial performance.

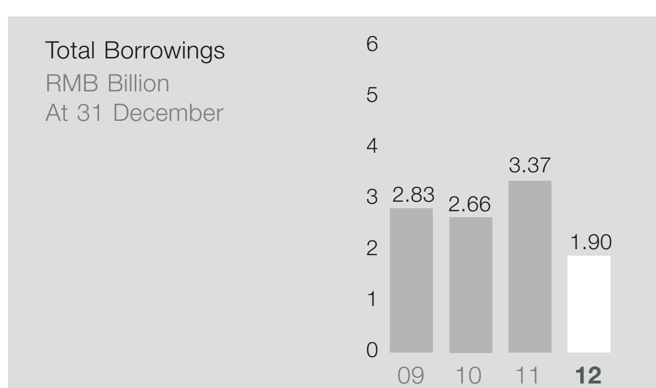
Financial Resources

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 Hong Kong, and the payment 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, bank borrowings and fund raising exercises in the international capital market.

Total capital expenditures for the Group amounted to RMB1.0 billion in 2012, which was in line with the budgeted amount at the beginning of the year, but was down significantly from the previous years due to the completion of major product development projects and new plant construction over the past few years. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB1,343 million during 2012 to RMB115 million at the end of 2012 due to large increase in trade, notes payables and advanced payment from customers. This more than offset the increase in trade receivables caused by the strong growth in export sales and the increase in inventories as a result of the expansion of product line. This, combined with the partial conversion of the CB 2014 and the full exercise of all the warrants due in 2014, resulted in a 33% increase in total cash level (bank balance & cash + pledged bank deposits) to RMB4,502 million. The Group's total bank borrowings also decreased by 44% to RMB1,904 million, while the total amount of convertible bonds outstanding was also down 44% to RMB849 million after the partial conversion of the CB 2014. As a result, the Group's financial position improved significantly with a net cash position of RMB1.7 billion at the end of 2012 versus a net debt of RMB1.5 billion a year ago.

Budgeted capital expenditures of the Group amount to about RMB1.0 billion in 2013, including the funding for the research

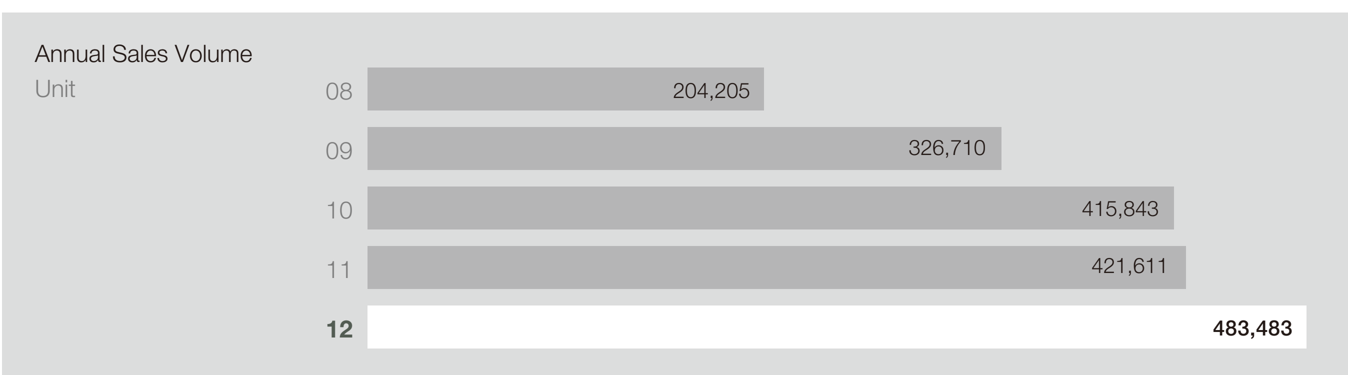


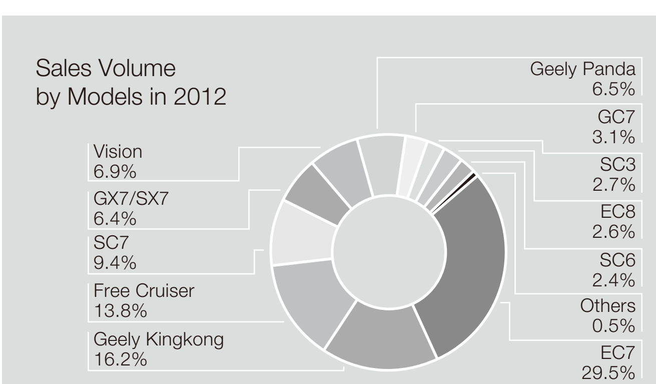


and development of new vehicle models, new engines and gearboxes, the expansion and upgrading of production facilities at the Cixi plant, the Jinan plant, the Xiangtan plant, the Chengdu plant and the Lanzhou plant, and the financing of the construction of new production facilities for automatic transmissions at Jining of Shandong province. The Group plans to fund its capital expenditures from its operational cash flow, its cash reserve, additional bank borrowings, and fund raising exercises in the international capital market. As at the date of this report, the Company has no definite plan or schedule on raising funds in the international capital market.

Vehicle Manufacturing

The Group sold a total of 483,483 units of vehicles in 2012, up 15% from last year. Sales volume growth in 2012 was mainly driven by the 55% growth in the sales volume of "EC7" model, the 157% increase in export sales volume and additional volume contribution from new models launched during the year. In 2012, four major new models were launched including a new mid-sized sedan "GC7", the Group's first SUV "GX7", a new family sedan "SC6" and a new small size sedan "SC3". These four new models together achieved a total sales volume of 70,070 units or 14% of the Group's total sales volume during the period and should continue to drive the volume growth in 2013. Overall, the Group's domestic sales volume in 2012 was only maintained at last year's level of 381,575 units, compared with the 6% increase in the sales volume of China's overall sedan market during the same period as most of the Group's new models were only launched in the second half of the year. Export sales volume continued to grow strongly and was up 157% to 101,908 units and accounted for more than 21% of the Group's total sales volume in 2012.





Models	Sales Volume (Unit)
EC7	142,503
Geely Kingkong	78,444
Free Cruiser	66,481
SC7	45,569
GX7/SX7	30,793
Vision	33,306
Geely Panda	31,471
GC7	14,948
SC3	12,952
EC8	12,771
SC6	11,377
Others	2,868
Total	**483,483**

PERFORMANCE & GOVERNANCE

The Group conducts its business in China under three independent brand divisions: "GLEagle", "Emgrand" and "Englon", all of which equipped with their own management teams and distribution network. At the end of December 2012, the Group's three independent sales networks in China comprised a total of 981 shops, including 400 exclusive franchisee stores and 581 4S stores. In the export markets, the Group still markets its products under "Geely" brand and sells its products through 37 sales agents and 43 second tier shops in 37 countries.

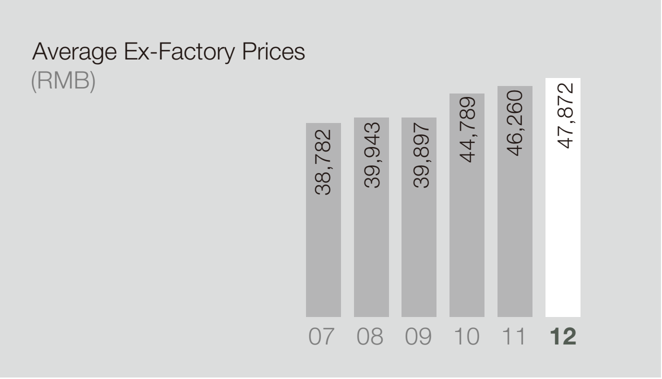
Amongst the Group's three brand divisions in China: "GLEalge", "Emgrand" and "Englon", "GLEagle" branded vehicles remained the most important in terms of sales volume and accounted for 36% of the Group's total sales volume in 2012. "Emgrand" branded vehicles, however, continued to achieve the fastest growth in sales volume in 2012, during which the sales volume of "Emgrand" branded vehicles was up 46% from the previous year.

The Three Brand Divisions in China

Brand	Models	2012 Sales Volume	Number of Shops at end 2012
GLEagle	Free Cruiser Geely Panda Vision GX2 GC7 GX7	176,999	324
Emgrand	EC7 EC7-RV EC8	155,274	297
Englon	Geely Kingkong SC3 SC6 SC5-RV SC7	151,210	360

Demand for "EC7" continued to be very strong, making the model the Group's best-selling model in 2012. A total of 142,503 units of "EC7" were sold in 2012, up 55% from previous year and accounting for 29% of the Group's total sales volume during the period; 24% of which were exported. This was despite the major demand constraints caused by the lack of automatic transmissions ("AT") versions during the period, suggesting further potential for growth in 2013, when AT version of "EC7" is scheduled to be launched. Sales volume of other older models like Free Cruiser and Vision, however, continued to slide due to fierce competition with other indigenous brands. On the positive front, several new models including "GC7", "GX7", "SC3" and "SC6" had been successfully launched during 2012 to gradually replace the older models. The sales volumes of all the new models achieved so far have been in line with or even better than our original expectations in 2012. Despite the Group's first entry into the fast growing Sport Utility Vehicle ("SUV") market, "GX7" received very good market response, increasing its monthly sales volume from less than 2,000 units in mid-2012 to over 5,000 units at the beginning of 2013.

Demand for the Group's larger-sized sedan model "EC8" recovered strongly following the replacement of out-sourced powertrain with the Group's own engines and transmissions. Although the suggested retail prices for the top models of "EC8" had been raised from RMB160,000 to over RMB200,000, the monthly sales volume of "EC8" increased from less than 300 units to about 2,000 units at the beginning of 2013, reflecting a major improvement in consumers' perception over the Group's brand image. As a result of the stronger growth in the demand for the Group's more expensive models, and thus the continued positive shift in product mix in 2012, the Group's ex-factory average selling price improved further to RMB47,872 per unit in 2012, up 3.5% from last year.



In July 2012, "GX7" achieved the highest 5+ star rating with a very high score of 50.3 points in C-NCAP crash test, reflecting the Group's leading position in the area of vehicle safety in China's automobile industry. The Group's effort and achievement in improving vehicle safety was further recognized by the automobile industry with its "Geely Sedan Safety Technology Development and Commercialization

Project" being awarded "China Automotive Industry Scientific Technology Class 1 Award" in December 2012. The Group's effort in improving customer service standards also yielded positive results in the most recent "J.D. Power Asia Pacific 2012 China Customer Service Index (CSI) Study". All the Group's three brands, "GLEagle", "Emgrand" and "Englon", ranked significantly higher than the industry average in the annual study of overall customer satisfaction for after-sales services with authorized dealers in China. Amongst all the indigenous brands in China, "GLEagle" ranked number one, followed by "Englon", which ranked number two, and "Emgrand", which ranked number four. In terms of overall ranking, "GLEagle" achieved number twelve position, only behind eleven major international brands.

The Group started the mass production of its new 6-speed automatic transmissions at its new plant in Xiangtan City in China in June 2012. Owing to limited production volume at the beginning, the new automatic gearbox was only installed in a small number of the Group's existing models including "GC7", "SC7", "EC8" and "GX7". Market response to the new 6-speed automatic transmissions has been encouraging so far. The Group would gradually expand the production volume of the automatic gearboxes through the upgrading and expansion of Xiangtan plant and the addition of a new plant in Jining City, Shandong province in the near future. The Group plans to install more 6-speed automatic transmissions in the existing and new models of the Group in the future, including its flagship model "EC7" and other newly-launched higher-priced models in 2013.

Production Facilities

Name	Interests	Usable Annual Production Capacity (Units Per Shift)	Models
Linhai plant	99.0%	75,000	GLEagle Panda (1.0L, 1.3L, 1.5L) GX2 (1.3L, 1.5L)
Luqiao plant	99.0%	100,000	Englon Kingkong (1.5L) SC5 (1.5L) SC6 (1.5L)
Ningbo plant	99.0%	160,000	Free Cruiser (1.3L, 1.5L) EC7 (1.8L) EC7-RV (1.5L, 1.8L)
Lanzhou plant	99.0%	40,000	Free Cruiser (1.3L, 1.5L)
Xiangtan plant	99.0%	100,000	Vision (1.5L, 1.8L) SC7 (1.5L, 1.8L) GC7 (1.8L)
Shanghai plant (Phase I) (Leased to Shanghai LTI)	99.0%	30,000	TX4 (2.4L, 2.5L diesel)
Jinan plant	99.0%	60,000	EC8 (2.0L, 2.4L)
Chengdu plant	99.0%	60,000	GX7 (1.8L, 2.0L, 2.4L) SX7 (1.8L, 2.0L, 2.4L)
	Total	**625,000**	

Cooperation with Volvo Car

The Group's cooperation with Volvo Car Corporation ("Volvo Car") achieved good progress in 2012. In addition to a memorandum of understanding between Geely Holding and Volvo Car on the transfer of technology and the cooperation to develop strategic projects in the areas of green engine family, small car platform and powertrain technology for electric vehicles on 9 March 2012, the two parties signed three technological cooperation agreements in the areas of mid-sized car platform upgrade, interior air quality and safety on "GX7" model in 2012. The Group is currently discussing with Geely Holding with respect to its involvement in these technological cooperation agreements and the management of the Group believes that the cooperation between Volvo Car and the Group could further improve the Group's product quality and strengthen its competitiveness in the future.

An independent R&D Centre by the parent to leverage on Volvo Car's technology leadership

In February 2013, the Group's parent company, Geely Holding, announced its plan to set up a Research and Development Centre ("R&D Centre") in Gothenburg, Sweden. The R&D Centre will develop a new modular architecture and a set of components for future C-segment cars, addressing the needs of both the Group and Volvo Car, and leverage on the Volvo Car's technology leadership within Geely Holding. The new R&D Centre will employ approximately 200 full-time engineers from Sweden and China and is scheduled to be fully operational towards the end of 2013. The modular architecture and the set of components will not only deliver world-class product technologies and attributes, but also considerable cost saving in terms of development, testing and sourcing, leading to the realization of significant economies of scale.

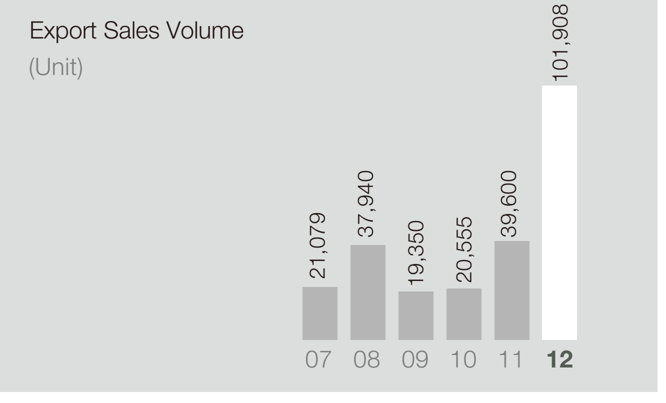
New Energy Vehicles Strategy

While the Group will continue to invest in advanced technologies related to new energy vehicles in view of the expected increase in demand for these vehicles, the Group's strategy on new energy vehicles also calls for the speeding up of product offerings through partnership and strategic alliance with leading international players with proven core technologies in the area of new energy vehicles. On 1 February 2013, the Group signed a framework agreement with Zhejiang Kandi Vehicles Co., Ltd. to set up a 50:50 joint-venture for the development, manufacture and sales of electric vehicles in China. At the same time, the Group is in preliminary discussion with a number of leading international companies on the development of core technologies related to new energy vehicles with an aim to ensure the availability of a full range of different new energy vehicles to supplement the Group's existing product line in the future. As at the date of this report, the Group has not yet concluded any cooperation arrangement with these leading international companies.

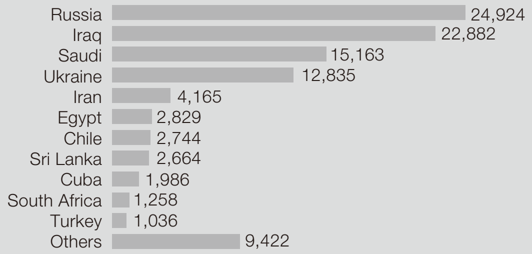
New Products

In the coming year, the Group plans to launch the following new models:

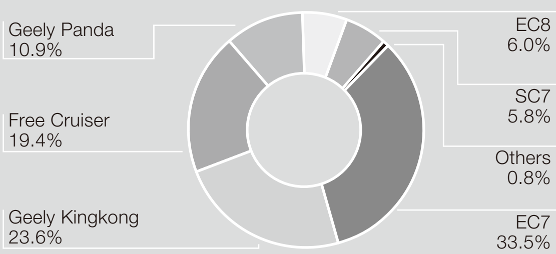
–	"EC8" upgraded version with new powertrain
–	"EC7" upgraded version with 6AT
–	"EX8" high-end SUV
–	"EV8" MPV
–	"SC5" basic family sedan
–	"SX7" mid-sized SUV



Top Export Destinations in 2012



Breakdown of Export Volume by Models in 2012



Exports

The Group exported 101,908 units of vehicles in 2012, a record high in its export history and up 157% from 2011, and accounted for 21% of the Group's total sales volume during the year. The Group's share of China's total exports of sedans increased from 11% in 2011 to 21% in 2012. "EC7" overtook "Geely KingKong" to become the most popular export models in terms of sales volume in 2012, reflecting the improvement of Geely's brand image and thus a shift of product mix towards higher-end and higher-priced models in the export markets, which was in line with the trend in the domestic market. Another important model in the export market is "EC8" and almost half of the "EC8" produced by the Group in 2012 were sold in the export markets. Developing countries in the Middle East, Eastern Europe and Central and South America remained the most important markets for the Group's exports. Amongst which, the most important export destinations in terms of sales volume were Ukraine, Russia, Saudi Arabia and Iraq in 2012.

The Group's export performance improved consistently throughout 2012, with an average monthly export volume increasing steadily from 6,677 units in the first half of 2012 to 10,308 units in the second half of 2012. This was despite the fact that the active marketing of "EC7" in the export markets only began in the second half of 2012 and all the new and competitive models like "SC3", "SC6" and "GX7" have yet to be offered to the export markets.

In additional to direct exports of vehicles from China, the Group also assembles some models sold overseas through joint-venture or contract manufacturing arrangements with local partners in Egypt, Uruguay, Russia, Ethiopia, Ukraine, Iraq, Sri Lanka, Indonesia and Belarus. At the end of 2012, the Group exported its products to 37 countries through 37 exclusive sales agents and 43 sales and service outlets in these countries.

Key focuses of the Group's export business in 2013 include the localization of production in major export markets. Assembly of the Group's "Geely Panda" and "EC7" models started in its plant in Uruguay in early 2013 whereas the assembly of "SC7" model in another joint-venture plant in Belarus also started in February 2013. Sales of the Group's first SUV product "GX7" in major export markets are also scheduled to start within 2013. All of which should bode well for continued strong growth of the Group's export volume in 2013.

Automatic Transmissions – DSI Holdings Pty Limited ("DSIH")

DSIH is principally engaged in the design, development and manufacture of automatic transmissions in Australia, supplying to major international automobile original equipment manufacturers like Ssangyong Motor Company (SYMC). DSIH's net profit after tax was A$0.34 million on revenue of A$108.7 million for the year ended 31 December

2012. DSIH manufactured and sold about 62,137 sets of automatic gearboxes in 2012, slightly better than original expectations. DSIH expects to sell about 55,000 sets of automatic gearboxes in 2013.

In 2013, the new and more stringent fuel consumption standards in China could cause some delay to the new model launching schedules by some of DSIH's customers, thus resulting in some delay of the planned sales to these customers. Despite this, the Chinese government's increasing attention to environmental issues, however, should also boost China's demand for more fuel efficient automatic transmissions produced by DSIH. In addition, DSIH's success in localization of some 30 major components in China should also make its automatic transmission products more price competitive going forward.

The first joint venture plant of DSIH in China – Hunan Jisheng International Drivetrain System Co., Ltd. ("Hunan Jisheng") – started mass production in June 2012. Another 100%-owned plant in Jining City of Shandong Province is under construction and is scheduled to start production in 2013. As a result of new additional incentives offered by the Ningbo Government to high technology enterprises and after taking into account the logistics infrastructure and component supplies in the nearby areas, DSIH decided to relocate its third joint-venture plant for the production of dual clutch transmissions ("DCT") in Chongqing to Chunxiao City, Ningbo.

With an annual production capacity of 100,000 units of automatic transmissions per shift, Hunan Jisheng will start to supply its 6-speed automatic transmissions to some independent car manufacturers in China in the last quarter of 2013. In addition to supplying to the Group's "GC7", "SC7", "GX7" and "EC8" models, Hunan Jisheng is expected to start supplying automatic transmissions to the Group's existing products like "EC7" and "Vision", and most of the Group's major new models in 2013.

What Next?

The Group's overall competitiveness has strengthened significantly over the past few years following the success of its strategic transformation to improve brand image, product and service quality, technology and innovation, and the synergy benefits from its recent acquisitions and strategic alliances, thus putting the Group in a much stronger position to meet any new market challenges in the future. In addition, the Group's financial position has improved significantly, thanks to strong operational cash flow, reduced debt and increased equity after the partial conversion of its convertible bonds and full exercise of all of its warrants. This should allow the Group to continue investing for the future, further enhancing its core strength in powertrain technologies, customer satisfaction and supply chains, so as to ensure sustainable growth in the longer-run.

In 2013, the Group plans to offer automatic transmissions in most of its major models, thus significantly enhancing the attractiveness of its products. The Group will continue to replace its older models with more sophisticated new models with more advanced powertrain technologies.

Further, more new SUV models and the first MPV model are scheduled to be launched by the Group within the year, further broadening the Group's product range. Most of the new models launched in 2012 have continued to perform well in 2013 so far and should continue to support the Group's overall sales volume growth in 2013. This, together with the additional growth contribution from exports, should allow the Group to speed up its sales growth in 2013. As a result, the Group's Board of Directors set our 2013 sales volume target at 560,000 units, up 16% from 2012.

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 payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, and 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, bank borrowings and fund raising exercises in the capital market. As at 31 December 2012, the Group's shareholders' funds amounted to approximately RMB12.9 billion (as at 31 December 2011: approximately RMB9.6 billion). The Company issued around 31.7 million ordinary shares upon exercise of share options during the year. On 27 November 2012, the Company received conversion notices from the investors for the partial conversion of the "3% coupon Convertible Bonds due in 2014" or "CB 2014" issued by the Company in 2009 in the principal amount of RMB769.8 million at a conversion price of HK$1.8583 per share, resulting in the issue of 470.3 million new shares to the investors. On the same day, the investors also submitted exercise notices to the Company for the full exercise of all the warrants due in 2014 issued by the Company in 2009 at RMB1.9816 per share, resulting in the issue of additional 299.5 million shares to the investors. Total proceeds from the exercise of the warrants amounted to RMB593.5 million, which is available to the Group for its capital expenditures, potential acquisitions and general corporate purposes.

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 the Group's assets and liabilities are mainly denominated in Renminbi, the functional currency of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's current ratio (current assets/current liabilities) was about 1.19 (as at 31 December 2011: 1.13) and the gearing ratio of the Group was about 21.4% (as at 31 December 2011: 51.2%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2012, the increase in receivables was mainly (a) due to the continuous strong sales momentum for the Group's models particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivable from its customers during that period; and (b) thanks to the relatively low interest environment and net cash level; the Group did not opt to discount these notes receivable without recourse but waited to hold them until maturity during most of the times in 2012. In addition, in order to secure an adequate supply of automobile parts & components (in particular, steel, out-sourced engines and other high-end electronic parts & components) from the Group's supply chain during the peak season in the fourth quarter of 2012, the Group had to prepay these inventories to its suppliers towards the end of 2012. Separately, the strong sales momentum for the Group's products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2012, the receipts in advance from customers represented almost 17% (as at 31 December 2011: 18%) of the total current liabilities. Accordingly, the net effect of the above resulted in an increase in current ratio at the end of year 2012 over the previous year.

Total borrowings (excluding trade and other payables) as at 31 December 2012 amounted to approximately RMB2.8 billion (as at 31 December 2011: approximately RMB4.9 billion) were mainly the Group's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on early redemption or maturity. For the bank borrowings, they were mostly secured, interest-bearing and repaid on maturity. The significant decrease in gearing ratio during the year was mainly due to a combination of (a) the substantial decrease of Company's convertible bonds as a result of its partial conversion in November 2012; (b) the decrease in the Group's borrowings thanks to the improved cash reserve for repayment of borrowings upon maturity; and (c) the increase in equity as a result of a combination of issue of additional shares upon partial conversion of convertible bonds and full exercise of warrants and the record-high profit attained by the Group in the year of 2012. 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 31 December 2012, the total number of employees of the Group was about 18,512 (as at 31 December 2011: 17,288). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 49, joined the Group on 9 June 2005 as the Chairman of the board of Directors of the Company (the "Board") (the "Chairman") and Executive Director, and is responsible for the overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies of the Group. Mr. Li holds a Master's Degree in Engineering from Yan Shan University. Presently, Mr. Li is the controlling shareholder, founder, chairman of the board of Zhejiang Geely Holding Group Company Limited ("Geely Holding") (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associates, a controlling shareholder of the Company). Geely Holding and its subsidiaries are principally engaged in the manufacturing and sales of automobiles in the PRC. Mr. Li has over 26 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" by a pertinent organization in China.

Mr. Yang Jian, aged 51, joined the Group on 9 June 2005 as an Executive Director, and is responsible for assisting the Chairman in Board leadership and corporate governance of the Group. Mr. Yang was appointed the Vice Chairman of the Board on 1 July 2008 whereas he was appointed the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of the five 99%-owned key operating subsidiaries of the Group, namely Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun"), Shanghai Maple Guorun Automobile Company Limited, Zhejiang Kingkong Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited and Hunan Geely Automobile Components Company Limited. Mr. Yang, who graduated from Zhejiang Radio and Television University with focus on production management, holds Senior Economist and Senior Engineer designations. Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within the group including product R&D, engineering and construction, manufacturing, quality improvement, marketing, after-sales service and the operation and management of the Group in the PRC and overseas.

Mr. Gui Sheng Yue, aged 49, joined the Group on 9 June 2005 as an Executive Director and is responsible for the overall administration, risk management and compliance of the Group. Mr. Gui was appointed the Chief Executive Officer of the Company with effect from 23 February 2006. He is also the chairman of DSI Holdings Pty Limited, a wholly-owned subsidiary of the Company. Mr. Gui has over 26 years of experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science Degree in Mechanical Engineering from Xi'an Jiaotong University and a Master's Degree in Business Administration from University of San Francisco.

Mr. An Cong Hui, aged 43, joined the Group on 30 December 2011 as an Executive Director, and is responsible for the overall administration of the Group. Mr. An has been a vice president of Geely Holding since 2003, and has been appointed the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of the principal operating subsidiary, namely Zhejiang Jirun, and a director of certain subsidiaries of the Group. Mr. An was previously in charge of the overall operation under the "Emgrand" product brand following the implementation of multi-brand strategy by the Group and production of gearboxes, engines and drivetrain systems of the Group. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of automotive engineering. He joined Geely Holding since 1996 after graduation from the Hubei

University of Economic and Management with a Diploma in Contemporary Accounting. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager.

Mr. Ang Siu Lun, Lawrence, aged 52, joined the Group on 23 February 2004 as an Executive Director and is mainly responsible for the international business development, capital market and investors' relationship of the Group. Mr. Ang holds a Bachelor of Science Degree in Physics and Computer Science and a Master of Business Administration Degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an independent non-executive director of Genvon Group Limited (HK Stock Code: 2389) and a non-executive director of Honbridge Holdings Limited (HK Stock Code: 8137).

Mr. Li Dong Hui, Daniel, aged 43, joined the Group on 23 May 2011 as an Executive Director. Mr. Li has been a board member, vice president and CFO of Geely Holding since April 2011 and is responsible for the overall strategic planning on the Group's finance, internal control, investments, financing activities, and the monitoring of the Group's information technology (IT) system. Mr. Li is also a director of DSI Holdings Pty Limited, a wholly-owned subsidiary of the Company. Mr. Li has extensive professional and senior managerial experiences with both the PRC and sino-foreign multinational companies, particularly in the fields of financial management, financing structure, strategic planning and business development. Prior to joining Geely Holding, he held key finance and accounting management positions as vice president, CFO, general manager and business development director in the PRC companies including Guangxi Liugong Machinery Company Ltd. (2010-2011), and China Academy of Post and Telecommunication (1991-1994), and sino-foreign multinational companies including headquarter of Cummins Inc., and its China Division (2006-2009), BMW Brilliance Automotive Ltd (2001-2005), ASIMCO Braking System (Guangzhou) Co., Ltd. and ASIMCO Braking System (Zhuhai) Co., Ltd. (1997-2001). Mr. Li graduated from the Kelley School of Business, Indiana University in the USA with a Master's Degree in Business Administration (MBA) in 2010 and graduated from the Beijing Institute of Machinery in the PRC with a Master's Degree in Management Engineering with a major in Financial Management in 1997. Also, Mr. Li graduated from the Renmin University of China in the PRC with a Bachelor's Degree in Philosophy in 1991. Mr. Li is also a non-executive director of Manganese Bronze Holdings plc (London Stock Exchange Code: MNGS) (a 19.97%-owned associate of the Company which has been put into administration).

Mr. Liu Jin Liang, aged 48, joined the Group on 9 June 2005 as an Executive Director. Mr. Liu is responsible for the Group's domestic sales of motor vehicles, development of customer service and brand management, and domestic and international logistics management of complete buildup units (CBUs). Mr. Liu is also a vice president of Geely Holding. Mr. Liu graduated from the Capital University of Economics and Business, focusing on industrial enterprise management. Prior to joining Geely Holding in 1995, Mr. Liu held a number of management positions in several major hotels in China. Mr. Liu has about 16 years of experience in sales and marketing of motor vehicles, brand building, development of logistics management, development of customer service and enterprise operation management in China.

Dr. Zhao Fuquan, aged 49, joined the Group on 17 November 2006 as an Executive Director. Dr. Zhao is also a vice president of Geely Holding, head of Zhejiang Geely Technology Centre, president of Zhejiang Geely Automobile Research Institute Limited and president of Zhejiang

Automotive Engineering Institute. Dr. Zhao was granted a Doctorate in Engineering Science from Hiroshima University in Japan and had years of on-the-job working experience in Japan, United Kingdom and United States of America. Prior to joining Geely Holding, Dr. Zhao was the research executive of technical affairs of DaimlerChrysler and vice president of Shenyang Brilliance JinBei Automobile Company Limited and general manager of its research & development (R&D) centre. Dr. Zhao, one of the main authors in international automobile magazines, has written 5 English books and has published more than 100 academic dissertation papers on automobile technology. Dr. Zhao was awarded many patents in his career and has won many prizes and awards. Dr. Zhao was accredited as a Fellow by the Society of Automotive Engineers (SAE) in April 2006. Dr. Zhao is currently a part-time professor in Tsinghua University, Jilin University, Tongji University and several other leading Chinese universities.

Ms. Wei Mei, aged 44, joined the Group on 17 January 2011 as an Executive Director. Ms. Wei is a vice president of Geely Holding and is responsible for the human resources management of Geely Holding since June 2009. Ms. Wei holds a Doctoral Degree in Management from the Northwest A&F University, a Master's Degree in Management and a Bachelor's Degree in Science from the Ocean University of China. From 2003 to 2007, Ms. Wei was the group human resources director of Beiqi Foton Motor Co., Ltd. ("Foton Motor") and focused on Foton Motor's human resources management, control and training. Prior to that, Ms. Wei worked in the group of Qingdao Haier Co., Ltd. ("Qingdao Haier") from 1991 to 2002 and served a number of positions in the department of integration and dishwashers business unit of Qingdao Haier Refrigerator Co., Ltd., participating in the development, diversification and globalization of Qingdao Haier. Ms. Wei was in charge of organizational management, operation appraisal, quality system management and human resources and was also directing the operation management of Haier dishwashers and other small appliances.

NON-EXECUTIVE DIRECTOR

Mr. Carl Peter Edmund Moriz Forster, aged 58, joined the Group on 9 January 2013 as a Non-executive Director. Mr. Forster is the chief consultant to a member of Geely Holding and he has been appointed a member of the board of directors of Volvo Car Group since 5 February 2013. Mr. Forster has over 27 years of professional and consultancy experiences in the global automotive industry, particularly in the fields of automotive products and development as well as strategic planning and general management. Mr. Forster held various senior management positions and directorship in many international consultancy and automobile corporates including McKinsey & Company, Inc., BMW (he was the chief project manager of one of its best-selling models of "BMW 5-Series"), General Motors Europe, Rolls-Royce Holdings plc (LSE Stock Code: RR.) and Tata Motors Limited, Mumbai (the group steered Jaguar Land Rover into profit). Mr. Foster obtained a Diploma in Economics from the Rheinische Friedrich-Wilhelm University in Bonn in 1976 and a Diploma in Aeronautical Engineering from the Technical University in Munich in 1982. Mr. Forster is currently a non-executive director of IMI plc, Birmingham (LSE stock code: IMI), a member of the Verwaltungsrat of 'The Mobility House', the chairman of the supervisory board and a substantial shareholder of ZMDi AG and the chairman of the supervisory board, member of the investment committee and partner of Lead Equities AG.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Lin, aged 50, joined the Group as an Independent Non-executive Director on 27 September 2004. Mr. Song holds a Bachelor's Degree in Solid Mechanics from the University of Tong Ji in Shanghai, China. He is concurrently chairman of China Resources (Holdings) Company Limited and China Resources National Corporation. Mr. Song is also a non-executive director of The Bank of East Asia (China)

Limited. Mr. Song was the chairman of China Resources Enterprise, Limited (HK Stock Code: 291), China Resources Power Holdings Company Limited (HK Stock Code: 836), China Resources Land Limited (HK Stock Code: 1109) and China Resources Logic Limited (now renamed as China Resources Gas Group Limited) (HK Stock Code: 1193), and also an independent non-executive director of China Merchants Bank Co., Ltd. (HK Stock Code: 3968).

Mr. Lee Cheuk Yin, Dannis, aged 42, joined the Group as an Independent Non-executive Director on 28 June 2002. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 20 years of experience in accounting and auditing field. Mr. Lee is an independent non-executive director of Tiangong International Company Limited (HK Stock Code: 826). He was an executive director of both Guojin Resources Holdings Limited (HK Stock Code: 630) and AMVIG Holdings Limited (HK Stock Code: 2300) and a non-executive director of Kam Hing International Holdings Limited (HK Stock Code: 2307).

Mr. Yeung Sau Hung, Alex, aged 63, joined the Group as an Independent Non-executive Director on 6 June 2005. Mr. Yeung is presently the chief executive officer of Leading Wealth Management Advisors Limited (a regulated fund management company) after his retirement from the role of chief executive officer of DBS Vickers Hong Kong. Mr. Yeung is a MBA graduate from the University of Southern California and brings with him more than 30 years of experience in the financial services industry. Prior to joining DBS Vickers Securities, Mr. Yeung was the deputy chairman of the management committee of a listed consumer electronics company for four years. Before that, he was the country head of Greater China Equities and the managing director of Deutsche Securities Hong Kong.

Mr. Fu Yu Wu, aged 68, joined the Group as an Independent Non-executive Director on 30 December 2011. Mr. Fu has been the executive vice president and secretary-general of Society of Automotive Engineers of China since 1999 and was promoted to executive president in December 2012. Mr. Fu has extensive professional and management experience in the automotive industry, particularly in the field of automotive engineering. He joined FAW Group immediately after his graduation from the Department of Machinery of the Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) with a Bachelor's Degree in Machinery in 1970. From 1970 to 1990, Mr. Fu served the Harbin Transmission Factory of FAW Group in various key engineering positions, including assistant director, executive vice director and chief engineer. From 1990 to 1999, Mr. Fu worked at the Harbin Automotive Industry Corporation as vice president and was later promoted to the position of president.

Mr. Wang Yang, aged 38, joined the Group as a Non-executive Director on 15 September 2010 and he has been re-designated to an Independent Non-executive Director of the Company with effect from 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. Mr. Wang holds a Bachelor of Engineering dual-degree in Management Engineering and Computer Science and a Master of Science Degree in Management Science and Engineering from the Shanghai Jiaotong University. Mr. Wang used to work in Goldman Sachs ("Goldman Sachs") Principle Investment Area as a managing director. From 2006 to 2010, working in Goldman Sachs, he focused on private equity investments in China. During the period, he led the Goldman Sachs' US$245 million convertible bond investment transaction in the Company. Prior to that, Mr. Wang worked in China International Capital Corporation ("CICC") investment banking division as a vice president from 2002 to 2006, focusing on China-based companies' initial public offerings and restructurings. Mr. Wang served major state-owned enterprises in various sectors during this period. Prior to CICC's investment banking division, Mr. Wang worked in CICC's Private Equity Group from 2000 to 2001.

SENIOR MANAGEMENT

Mr. Zhang Yi, Ian, aged 50, joined the Group on 1 March 2010 and is responsible for risks assessment and internal control in China operations of the Group. Mr. Zhang holds a Bachelor of Engineering Degree with a major in Internal Combustion Engine from Xi'an Jiaotong University and a Master's Degree in Business Administration from Sino-Canadian Joint MBA Program. Prior to joining the Group, Mr. Zhang worked in various senior management positions with leading multinational automotive companies, with extensive experience in strategic planning, business development, operations and compliance management. Mr. Zhang was appointed the Vice President of the Company with effect from 5 November 2010.

Mr. Dai Yang, Daniel, aged 58, joined the Group as the Vice President (International Business) on 5 May 2005 and is mainly responsible for the investor relation and international business in Hong Kong. Mr. Dai holds a Master's Degree of Linguistics from Beijing Foreign Language Institute and a Bachelor's Degree of Arts from Beijing Normal College. Mr. Dai started his career with China Resources (Holdings) Co. Ltd. in Hong Kong in 1986 and his last position was an assistant general manager of China Resources Investment Co. Ltd. Then, Mr. Dai joined Da Fang Investment Co. Ltd. in Hong Kong as a general manager. Prior to joining the Company, Mr. Dai has mainly focused his career on projects investment.

Mr. Cheung Chung Yan, David, aged 37, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. He is also a director of DSI Holdings Pty Limited, a wholly-owned subsidiary of the Company. Mr. Cheung holds a Bachelor's Degree in Business Administration in Accounting from the Hong Kong University of Science and Technology in 1997. He is a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung has over 15 years of experience in auditing, accounting and financial management.

CORPORATE GOVERNANCE REPORT

Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") continue to strive for a high standard of corporate governance with an emphasis on upholding a strong and balanced board of directors of the Company (the "Board") and maintaining a transparent and creditable communication channel with the shareholders of the Company (the "Shareholders").

In regard to the review of the code on corporate governance practices (the "former Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") conducted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the year end of 2011, the Stock Exchange adopted most of its proposals to the former Code and the Corporate Governance Code and Corporate Governance Report (the "CG Code") was adopted in replacement of the former Code with effect from 1 April 2012.

Both the former Code and CG Code applied to the Company for the financial year ended 31 December 2012, save for code provision ("CP") E.1.2, the Company had met with all of the CPs of the former Code; and save for CPs E.1.2 and A.6.7 (which is a new CP in the CG Code after being upgraded from the non-mandatory Recommended Best Practices ("RBPs") of the former Code), the Company had complied with all of the CPs and adopted some of the RBPs of the CG Code. Considered reasons for the deviation from CPs E.1.2 and A.6.7 are discussed in the later part of this corporate governance report ("CG Report").

The paragraphs below describe how the former Code and the CG Code were applied during the year ended 31 December 2012 and give considered reasons to any of their deviations.

CORPORATE GOVERNANCE REPORT

(A) DIRECTORS

The directors of the Company (the "Directors") all possess advanced expertise and extensive experience in the automobile industry, commercial management and capital market operation. The Board, with its diverse composition, can provide the management with viewpoints and advices in all material aspects for effective decision making. For Directors' biographical information, please refer to pages 20 to 24 of this annual report.

The table below illustrates the major duties and responsibilities of the Directors together with their positions held in the Board and its committees, and the dates of their appointment and last re-election at the general meetings of the Company.

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major duties/experience/skills
Mr. Li Shu Fu	Chairman & ED[1]	9 June 2005	18 May 2011	Directs overall corporate strategic direction, Board leadership and corporate governance of the Group
Mr. Yang Jian	Vice Chairman & ED[1]	9 June 2005	25 May 2010	Assists the Chairman in Board leadership and corporate governance of the Group
Mr. Gui Sheng Yue	Chief Executive Officer, ED[1] & member of NC[6]	9 June 2005	18 May 2011	Oversees administrative management (Hong Kong and overseas), risk management, compliance and internal control of the Group
Mr. An Cong Hui	ED[1]	30 December 2011	18 May 2012	Oversees operational and risk management (China) of the Group
Mr. Ang Siu Lun, Lawrence	ED[1]	23 February 2004	18 May 2012	Oversees international business development, capital market and investor relations activities of the Group
Mr. Li Dong Hui, Daniel	ED[1]	23 May 2011	18 May 2012	Oversees accounting, internal control (China), investments, financing activities and information technology (IT) system of the Group
Mr. Liu Jin Liang	ED[1]	9 June 2005	18 May 2012	Oversees domestic motor vehicles sales, development of customer service and brand management, and domestic and international logistics management of complete buildup units (CBUs) of the Group

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major duties/experience/skills
Dr. Zhao Fuquan	ED[1]	17 November 2006	25 May 2010	Oversees research and development activities of the Group
Ms. Wei Mei	ED[1] & member of RC[5]	17 January 2011	18 May 2011	Oversees human resources management of the Group
Mr. Yin Da Qing, Richard	NED[2] (resigned on 9 January 2013)	9 June 2005	18 May 2012	Provides independent advice on financial controls to the Board
Mr. Carl Peter Edmund Moriz Forster	NED[2]	9 January 2013	N/A	Provides independent consultancy advice on strategic planning to the Board
Mr. Lee Cheuk Yin, Dannis	INED[3], chairman of AC[4], member of RC[5] & member of NC[6]	28 June 2002	18 May 2011	Provides independent advice on financial and auditing activities to the Board
Mr. Song Lin	INED[3] & member of AC[4]	27 September 2004	18 May 2011	Provides independent advice on corporate management, business development and strategic deployment to the Board
Mr. Yeung Sau Hung, Alex	INED[3], chairman of RC[5], member of AC[4] & member of NC[6]	6 June 2005	18 May 2012	Provides independent advice on corporate finance and investment to the Board
Mr. Fu Yu Wu	INED[3], chairman of NC[6], member of AC[4] & member of RC[5]	30 December 2011	18 May 2012	Provides independent advice on automobile industry and strategic deployment to the Board
Mr. Wang Yang	INED[3], member of AC[4], member of RC[5] & member of NC[6]	15 September 2010	18 May 2011	Provides independent advice on corporate finance, investments and merger & acquisitions to the Board

Note:

1 ED: Executive Director.
2 NED: Non-executive Director.
3 INED: Independent Non-executive Director.
4 AC: Audit Committee.
5 RC: Remuneration Committee.
6 NC: Nomination Committee.

Responsibilities of Directors

The Directors understand their responsibilities to apply their relevant levels of skill, care and diligence as a director under statute and common law, the Listing Rules, and other applicable legal and regulatory requirements when discharging duties. The Board also understands where potential conflicts of interests arise, the non-executive Directors shall take the lead in discussing the relevant transactions being contemplated as the relevant interested Directors shall abstain from voting.

In order to ensure every newly-appointed Director to keep abreast of his responsibilities and conduct (especially in the case of non-executive Directors as to bringing independent judgment to the Board), and to obtain a general understanding of the Company's business activities and development, the Company would arrange a comprehensive, formal and tailored induction for him upon appointment. Such induction training had been arranged after the end of 2012 for Mr. Carl Peter Edmund Moriz Forster, whom was appointed the non-executive Director on 9 January 2013.

The Directors disclose to and update the Company the number and nature of offices they hold in public companies or organisations and other significant commitments as well as the time involved every year; change of such during the year would be properly disclosed. All Directors confirmed that they had given sufficient time and attention to the Group's affairs during the year. The independent non-executive Directors also declared their annual independence to make constructive and informed comments as to the development of the Company's strategy and policies. The Board reviewed the relevant disclosure, confirmation and declaration together with their actual time contribution, and agreed that all Directors had taken active interests in the Group's affairs during the year.

Continuing Professional Development

The Company arranges continuous professional development ("CPD") sessions for the Directors at its expense every year so as to develop and refresh their knowledge and skills, and to ensure that their contribution to the Board remains informed and relevant.

As the Directors are geographically dispersed, the Company arranged two CPD sessions (in late October 2012 in the People's Republic of China ("PRC") and in early November 2012 in Hong Kong ("HK")). Most of the Directors signed up for the CPD sessions on (i) performance and effective running of the Board, (ii) the latest development of the CG Code, (iii) amendment to the statutory requirement for disclosure of inside information, (iv) updates on rules associated to listing matters, and (v) risk assessment and the feasibility of adoption of a whistle-blowing policy, conducted by an independent professional trainer. The Company also provided 1-on-1 CPD sessions to some Directors whereas the remaining Directors chose to attend other appropriate training session(s), as required by the Listing Rules with relevant attendance records being filed with the Company.

Apart from the CPD sessions being provided by the Company, the Board has also put in place the procedures for Directors to seek independent professional training so as to assist them in discharging their duties upon reasonable request. As such, the Directors shall submit their applications with details of the curriculum and course fees to the Chief

Executive Officer of the Company ("CEO") in advance. Once the training is considered acceptable, the course fees shall then be fully reimbursed when valid receipts are provided.

The records of Directors' participation in CPD or training sessions each year are maintained by the Company Secretary of the Company (the "Company Secretary"). The below illustrates how each Director participated in CPD or training sessions during the year:

	CPD/Training Session				
Name of Directors	**PRC**	**HK**	**1-on-1**	**Self-arrangement**	**Induction**
Executive Directors					
Mr. Li Shu Fu *(Chairman)*			✓		
Mr. Yang Jian *(Vice Chairman)*			✓		
Mr. Gui Sheng Yue *(CEO)*			✓		
Mr. An Cong Hui	✓				
Mr. Ang Siu Lun, Lawrence		✓			
Mr. Li Dong Hui, Daniel	✓				
Mr. Liu Jin Liang	✓				
Dr. Zhao Fuquan			✓		
Ms. Wei Mei	✓				
Non-executive Directors					
Mr. Yin Da Qing, Richard				✓	
Mr. Carl Peter Edmund Moriz Forster [1]					✓
Independent Non-executive Directors					
Mr. Lee Cheuk Yin, Dannis		✓			
Mr. Song Lin				✓	
Mr. Yeung Sau Hung, Alex		✓			
Mr. Fu Yu Wu	✓				
Mr. Wang Yang		✓			

Note:

[1] Mr. Carl Peter Edmund Moriz Forster was appointed non-executive Director on 9 January 2013.

Supply of and Access to Information

The Company provides the Directors with appropriate information in such form and of such quality in a timely manner that will enable them to make an informed decision and to discharge their duties and responsibilities. The Company ensures that the Directors shall have separate and independent access to the Company's senior management if and whenever necessary, and any queries raised by the Directors should receive a prompt and full response if possible.

In regard to notice, intended agenda, related Board papers and materials, the Company's management is required to provide complete, reliable and timely information, and provide briefing to the Board with respect to the matters and issues under contemplation. The Company also keeps the Board well informed of the latest developments of the respective matters and issues in a timely manner. In addition to regular Board meetings, the Company also provides reports in relation to consolidated management accounts and sales volume on a monthly basis, and news releases, investor relations activities and share price performance on a regular basis to the Directors.

Directors' Securities Transactions

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code for securities transactions by officers. The Directors, having made specific enquiry, confirmed their compliance with the required standards set out in the Model Code during the year and there had been no cases of non-compliance being reported. As at 31 December 2012, the details of Directors' holding of the Company's securities are set out on pages 48 to 49 of this annual report. The senior management of the Company whose biographical details are set out on page 24 of this annual report also declared that they did not hold any shares of the Company as at 31 December 2012.

In addition, the Company issues notices to all Directors, management and relevant employees of the Group reminding them to comply with the Model Code 60 days prior to the publication of the annual results, 30 days prior to the publication of the interim results, and any time when they are in possession of or privy to any unpublished inside information and/or price-sensitive information of the Group before it is properly disclosed.

By end of 2012, the Company revamped and implemented an internal policy on handling inside information to align it with the recent statutory backing to the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers to assume duty when dealing with inside information and preserve its confidentially before disclosure. It also provides guidelines for the Board to disclose any inside information in a timely fashion.

Insurance for Directors and Senior Management

During the year, the Company has arranged liability insurance for the Directors and senior management to provide sufficient coverage based upon performance of duties by such persons; the Board was satisfied with the insurance amount being adequate. The insured amount is subject to regular review by the Board every year.

(B) THE BOARD

The Company is being headed by the Board effectively through its strong leadership in the strategic orientations and balanced control over the overall management of the business operations.

Corporate Governance Duties

The Board performed (including but not limited to) the following corporate governance duties during the year: (i) revamped an internal safeguard procedure for overseeing timely disclosure of material inside information, and maintaining confidentiality of the relevant information before disclosure; (ii) reviewed the compliance with Model Code by the Directors, management and relevant employees of the Group; (iii) reviewed the adequacy of training and continuous professional development for the Directors and senior management; and (iv) reviewed the Company's compliance with the CG Code and disclosure in this CG Report.

Management Functions delegated by the Board

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation and administration functions of the Company to the management team headed by the CEO.

The Board has set out written guidelines to the management as to when final authority should rest with the Board and its prior approval should be obtained before making decisions or entering into any commitments, issues of such include but not limited to any proposed notifiable transactions, connected transactions, significant domestic and/or overseas investments, major business decisions related to operation and business strategy, change of key management of the Group, disclosure of material inside and/or price-sensitive information.

Composition of the Board

The Listing Rules requires the Board to appoint independent non-executive Directors representing at least one-third of the Board and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at 31 December 2012, the Board comprised nine executive Directors, one non-executive Director and five independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis (an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants), Mr. Song Lin, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang (re-designated on 17 May 2012). On 9 January 2013, Mr. Yin Da Qing, Richard resigned whilst Mr. Carl Peter Edmund Moriz Forster appointed the non-executive Director. The table illustrating the compositions of the Board and its committees is set out on pages 26 to 27 of this CG Report.

An updated list of Directors and their roles and functions is maintained on the Company's website (http://www.geelyauto.com.hk) and on the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection if they so wish.

Appointments and Re-election

All Directors, including non-executive Directors, were appointed for a specific term of not more than three years and were subject to retirement by rotation at least once every three years at the Company's general meetings.

Pursuant to Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Dr. Zhao Fuquan and Ms. Wei Mei shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 16 May 2013. In addition, pursuant to Article 99 of the Articles of Association, Mr. Carl Peter Edmund Moriz Forster shall retire and being eligible, shall offer himself for re-election at the forthcoming annual general meeting of the Company.

Meetings of the Board

As required by business needs, the Company held a total of 8 regular Board meetings, 37 ad-hoc Board meetings, 5 meetings of the Audit Committee ("AC"), 5 meetings of the Remuneration Committee ("RC"), 2 meetings of the Nomination Committee ("NC"), 1 annual general meeting ("AGM") and 1 extraordinary general meeting ("EGM") during the year.

Most of the meetings of the Board and its committees were duly attended by Directors through electronic means pursuant to the Articles of Association as most of the executive Directors' business engagement was in the PRC. During the year, the Directors attended the meetings of the Board and its committees by themselves and they did not appoint any alternate director. For any Board resolution approving contract, arrangement or any other proposal in which a Director ("interested Director") or any of his associates has a material interest, the interested Director should abstain from voting at such Board meetings and he/she should not be counted in the quorum present at the meetings.

The following table illustrates the attendance of each Director at the meetings of the Board and its committees, and general meetings of the Company. The denominators indicate the number of the respective meetings held during the year to reflect the effective attendance rate applicable to any Director(s) whom appointed part way during the year.

Name of Directors	Regular Board Meetings	Ad-hoc Board Meetings	AC Meetings	RC Meetings	NC Meetings	AGM	EGM
	Attendance rate for meetings						
Executive Directors							
Mr. Li Shu Fu *(Chairman)*	8/8	37/37	–	–	–	1/1	0/1
Mr. Yang Jian *(Vice Chairman)*	8/8	37/37	–	–	–	1/1	1/1
Mr. Gui Sheng Yue *(CEO)*	7/8	37/37	–	–	2/2	1/1	1/1
Mr. An Cong Hui	8/8	37/37	–	–	–	1/1	0/1
Mr. Ang Siu Lun, Lawrence	8/8	37/37	2/5	–	–	1/1	1/1
Mr. Li Dong Hui, Daniel	8/8	37/37	2/5	–	–	1/1	1/1
Mr. Liu Jin Liang	8/8	36/37	–	–	–	1/1	1/1
Dr. Zhao Fuquan	8/8	37/37	–	–	–	1/1	1/1
Ms. Wei Mei	8/8	37/37	–	5/5	–	1/1	1/1
Non-executive Directors							
Mr. Yin Da Qing, Richard [1]	8/8	37/37	–	–	–	1/1	0/1
Mr. Carl Peter Edmund Moriz Forster [2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors							
Mr. Lee Cheuk Yin, Dannis	8/8	37/37	5/5	5/5	2/2	1/1	1/1
Mr. Song Lin	6/8	36/37	2/5	–	–	0/1	0/1
Mr. Yeung Sau Hung, Alex	8/8	37/37	5/5	5/5	2/2	1/1	1/1
Mr. Fu Yu Wu	8/8	37/37	4/5	5/5	2/2	1/1	1/1
Mr. Wang Yang [3]	7/8	37/37	2/4	4/4	2/2	1/1	1/1

Note:

1. Mr. Yin Da Qing, Richard resigned as non-executive Director on 9 January 2013.
2. Mr. Carl Peter Edmund Moriz Forster was appointed non-executive Director on 9 January 2013.
3. Mr. Wang Yang was re-designated as independent non-executive Director and appointed member of Audit Committee, Remuneration Committee and Nomination Committee on 17 May 2012.

Relation of the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) with each other and in particular, with the Chairman of the Board (the "Chairman") and the CEO.

Non-executive Directors and Independent Non-executive Directors

On 9 January 2013, Mr. Yin Da Qing, Richard resigned whilst Mr. Carl Peter Edmund Moriz Forster appointed the non-executive Director. They both entered into a term of service of three years with the Company under a formal letter of appointment, which is the same as the other independent non-executive Directors and subject to retirement by rotation at least once every three years to offer themselves for re-election at the annual general meeting of the Company.

Having received annual confirmation from the five independent non-executive Directors for the year ended 31 December 2012 confirming that they had not been involved in any business fell under the factors for assessing their independence set out in Rule 3.13 of the Listing Rules, the Company considered all of the independent non-executive Directors were still independent and they had the character, integrity, independence and experience to fulfill their roles effectively.

Chairman and Chief Executive Officer

The roles of Chairman and CEO were taken by Mr. Li Shu Fu and Mr. Gui Sheng Yue respectively to ensure a balance of power and authority.

The Chairman provides leadership for the effective running of the Board by delegating the Company Secretary to facilitate proper convening of Board meetings and dissemination of adequate information, in order to ensure that the Directors would be properly briefed on issues arising at Board meetings and encouraged to discuss all key and appropriate issues of the Group in a timely manner. The Chairman has delegated the responsibility of drawing up agenda for each Board meeting to the Company Secretary before circulating it to the Directors for comments, where appropriate, agenda items proposed by other Directors will be included in the agenda for the Board's further discussion in the meeting so as to make sure that the Board meetings are effectively carried out and a culture of openness and constructive relations between executive and non-executive Directors are promoted. The Chairman holds meetings with the non-executive Directors without the presence of executive Directors at least once every year.

The CEO is primarily responsible for the daily operations of the Group with the assistance from other executive Directors and management. Their division of responsibilities were clearly established and set out in writing.

The Chairman has also endorsed the Company Secretary to draft relevant policies and guidelines as to upholding good corporate governance practices and procedures of the Group, such as the Shareholders' Communication Policy for maintaining effective communication with Shareholders and directing their views to the Board as a whole. For details of Shareholders' rights, please refer to pages 42 to 44 of this CG Report.

(C) BOARD COMMITTEES

The Company currently has three Board Committees, namely Remuneration Committee, Nomination Committee and Audit Committee, and the written terms of reference of these Board Committees are published on the Company's website (http://www.geelyauto.com.hk) and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection if they so wish.

Remuneration Committee

The role and function of the Remuneration Committee is to determine the policy for the remuneration package of executive Directors and senior management with access to independent professional advice at the Company's expense if necessary; to assess performance of executive Directors and senior management; to approve the terms of service contracts of executive Directors and senior management; and to make recommendations to the Board on the remuneration of non-executive Directors. The remuneration packages of the executive Directors and senior management should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment at a reasonable and appropriate level); levels of which should be sufficient to attract, retain and/or compensate Directors and senior management to run the Company successfully without paying more than necessary. The terms of reference of the Remuneration Committee are published on the Company's website (http://www.geelyauto.com.hk) and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection if they so wish.

Proceedings of the Remuneration Committee

The Remuneration Committee being chaired by an independent non-executive Director currently comprises members of four independent non-executive Directors and one executive Director, to ensure that the committee comprises a majority of independent non-executive Directors.

During the year, the Remuneration Committee held 5 meetings. The attendance record, on a named basis, at those meetings is set out in the table on page 33 of this CG Report. The Remuneration Committee had considered the following proposals and/or made recommendation to the Board during the year:

- Reviewed the basic monthly salary, benefits and year-end bonus of the executive Directors and senior management with reference to their past contribution, experience and duties as well as the Company's remuneration policy and prevailing market conditions;
- Approved the appointment of a new member to the committee;
- Approved grant of share options of the Company to Directors and senior management; and
- Approved renewal of a service agreement with an independent service provider on share options management of the Company.

Disclosure of Remuneration Payable to Directors and Senior Management

The Remuneration Committee adopts the model described in CP B.1.2(c)(i), which is to determine, with delegated responsibility, the remuneration packages of the Directors, in particular, the executive Directors, and the senior management. In determining the remuneration packages of the Directors, the Remuneration Committee ensures no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Directors conducted the self-evaluation on their individual performance and contribution to both the Board and the Group in year 2012. It was intended to establish a formal and transparent assessment framework for the Remuneration Committee to make reference to when reviewing the remuneration package of the Directors in the future.

Under the principles of the Company's remuneration policy in place, the remuneration packages of the Directors and senior management are made up of the following two tiers: 1) on short-term basis – basic monthly salary and discretionary year-end bonus; and 2) on long-term incentive basis – share options scheme and retirement benefits. The diversified remuneration package can reflect the market value of the relevant duties of the Directors and senior management; encourage relevant Directors and senior management to achieve the corporate goal; attract and retain the experienced human resources of the Group; and provide competitive retirement protection.

For the year ended 31 December 2012, the remuneration payable to members of senior management was within the following bands:

By Band	**Number of Individuals**
RMB1,000,001 – RMB2,000,000	1
RMB2,000,001 – RMB3,000,000	1
RMB3,000,001 – RMB4,000,000	1
	3

For the year ended 31 December 2012, the aggregate emoluments payable to the members of senior management above was categorized as follows:

By Category	**RMB'000**
Basic salaries and allowances	2,972
Retirements benefits and scheme contributions	33
Share-based payment expenses	4,448
	7,453

For details on Directors' remuneration, please refer to pages 107 to 108 in this annual report.

Nomination Committee

The role and function of the Nomination Committee is to determine the policy for the nomination of Directors with the right to seek independent professional advice at the Company's expense if necessary. The terms of reference of the Nomination Committee are published on the Company's website (http://www.geelyauto.com.hk) and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection if they so wish.

Proceedings of the Nomination Committee

The Nomination Committee being chaired by an independent non-executive Director currently comprises members of four independent non-executive Directors and one executive Director, to ensure that the committee comprises a majority of independent non-executive Directors.

The Nomination Committee reviews the composition of the Board on a regular basis so as to ensure that the Board has a good balance of expertise, skills, knowledge and experience which can complement the corporate strategy of the Company. When selecting and recommending candidates for directorship, the committee takes into account the qualification, ability, working experience, leadership, professional ethics and independence (as the case may be) of the candidates before nominating the candidates with high caliber to the Board for selection and appointment.

During the year, the Nomination Committee held 2 meetings. Apart from approving the appointment of a new member to the committee, the committee reviewed the existing structure, size and composition of the Board but did not make any recommendation; and reviewed the independence of the existing five independent non-executive Directors. The attendance record, on a named basis, at those meetings is set out in the table on page 33 of this CG Report.

Board Diversity

The Company also early-adopted a new CP as regards board diversity. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element. A Board Diversity Policy, which is published on the Company's website (http://www.geelyauto.com.hk) for public information, was recommended by the Nomination Committee and adopted by the Board in March 2013.

Audit Committee

The role and function of the Audit Committee is to investigate any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; to seek any information it requires from any employee(s), whereas all employees are directed to co-operate with any request made by the committee; and to review and ensure that proper arrangements are in place for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The terms of reference of the Audit Committee are published on the Company's website (http://www.geelyauto.com.hk) and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection if they so wish.

Proceedings of the Audit Committee

The Audit Committee being chaired by an independent non-executive Director currently comprises five members, solely the independent non-executive Directors, to ensure that the committee comprises a majority of independent non-executive Directors and that the Company fully complies with Rule 3.21 of the Listing Rules.

During the year, the Audit Committee held 5 meetings. The attendance record, on a named basis, at those meetings is set out in the table on page 33 of this CG Report. The Audit Committee had considered the following businesses and/or made recommendation to the Board, when necessary, during the year:

- Reviewed the Company's audited annual results for the year ended 31 December 2011 including the major accounting issues raised by the external auditors;

- Approved the appointment of a new member to the committee;

- Reviewed the Company's interim results for the six months ended 30 June 2012;

- Met with the Chairman in the absence of the management of the Company, including executive Directors, to discuss about the remuneration of the Directors, the medium to long term business strategy of the Group, etc.;

- Approved the annual audit fee for the year ended 31 December 2012;

- Approved the insurance fee of the Directors and officers of the Company for the year 2012/2013 and confirmed the adequacy of insurance coverage;

- Reviewed the internal control work conducted by the Internal Audit Department of the Company and the effectiveness of the internal control system of the Group; and

- Adopted a Whistleblowing Policy (it is published on the Company's website (http://www.geelyauto.com.hk) for the inspection of the stakeholders of the Company if they so wish).

Relationship with the external auditors

Apart from meeting with the Company's external auditors twice a year for approving the interim results and the annual results, the Audit Committee also met with the external auditors in the absence of the management of the Company, including executive Directors, to discuss on any issues (e.g. nature and scope of the audit, reporting obligations, audit fee, nature and scope of non-audit service provided, and those arising from the audit (e.g. judgment used in the financial reporting, compliance with financial reporting and auditing standards), etc.) during the year, so as to review and monitor the independence and objectivity of the Company's external auditors, and the effectiveness of the audit process in accordance with applicable standards.

Internal Controls

The Board has the overall responsibility to maintain an effective internal control system of the Group so as to safeguard Shareholders' investment and the

Group's assets. For the year ended 31 December 2012, the Board conducted an annual review of the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational, and compliance controls and risk management functions. Also, the Board considered the adequacy of existing resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

In 2012, the management identified and assessed the risk factors in main business processes within the business environment of the Group. Based upon the management's risk assessment, the Company's Internal Audit Department designed internal audit procedures and conducted independent reviews of the adequacy and effectiveness of the Group's internal control and risk management system; the review results would then be regularly reported to the Board through the Audit Committee. During the year, no suspected cases of fraud, irregularities, or violation of laws, rules and regulations, or material control failures were identified and the Board was satisfied with the effective internal control system of the Group being maintained.

Environment and Society

The Group aims at producing the safest, most environmentally friendly and most efficient automobiles globally. To this end, the Group has been putting efforts in technology development, particularly in the areas of vehicle safety, fuel efficiency, waste reduction and renewable energy. As for the corporate social responsibility, the Company set up volunteer teams to participate in different voluntary activities, such as supporting the UNICEF Charity Run and participating in the Sowers Action Challenging 12 Hours Charity Marathon during the year.

(D) ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related information of the Company that would enable them to make an informed assessment. The information update would be provided on a monthly basis which includes but not limited to the background or explanatory information relating to disclosure, budgets, forecasts and other relevant internal financial statements, such as consolidated management accounts of the Company.

The Directors acknowledge their responsibility for preparing the accounts of each financial period, which should give a true and fair view of the operating results and financial conditions of the Company, and for monitoring the integrity of the Company's financial statements and corporate communications. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions that would cast significant doubt upon the Company's ability to continue as a going concern.

The Directors acknowledged that their responsibility to present a balanced, clear and understandable assessment extended to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements. Aside from the above, the Company has been announcing the latest monthly sales volume figures on a voluntary basis since January 2010 in order to further enhance the transparency of the Company.

Long-term Strategy

The Company's long-term objective is to deliver sustainable growth in shareholders' return over the long-term as a leading international automobile group with good reputation and integrity, winning respects from its customers and industry peers. The strategies employed to achieve these goals include:

- Achieving economies of scale through rapid expansion of sales volume and production capacity;
- Increase in sales volume through broadening product range and expansion geographically in both domestic and international markets;
- Focus on quality, technology, customer services and satisfaction;
- Organic expansion to be supplemented by mergers and acquisitions and strategic alliances; and
- Preservation of its competitive strength in cost effectiveness, flexibility and intellectual property resources.

External Auditors and their Remuneration

Grant Thornton Hong Kong Limited, the independent auditors of the Company, has declared its reporting responsibilities regarding the consolidated financial statements of the Company for the year ended 31 December 2012 in the independent auditors' report set out on pages 65 to 66 of this annual report.

In 2012, there was no disagreement between the Board and the Audit Committee on the re-appointment of Grant Thornton Hong Kong Limited as well as their fees and terms of engagement. Grant Thornton Hong Kong Limited shall hold office until re-election by Shareholders at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2012, the remuneration for the provision of audit and non-audit services by the auditors to the Group was as follows:

	2012 RMB'000	2011 RMB'000
Fees breakdown by accounting firms		
Grant Thornton		
Annual audit	**4,541**	3,560
Interim review	**405**	387
	4,946	3,947
Other professional CPA firm		
Annual audit	**–**	1,066
Total	**4,946**	5,013

(E) COMPANY SECRETARY

The Company Secretary took more than 15 hours' professional training for the year ended 31 December 2012.

Reporting to the Chairman and/or the CEO, the Company Secretary plays an important role in ensuring proper Board procedures are tailored to the Company's business needs and compliance with all applicable laws, rule and regulations. The Directors could obtain advice and services from the Company Secretary for any updates and developments in corporate governance, applicable laws and regulations when necessary.

The Company Secretary, as delegated by the Chairman, is responsible for preparing the meeting agenda, serving notice to the Board at least 14 days before the regular meetings or at a reasonable time for other ad-hoc meetings, and providing relevant Board papers to Directors at least 3 days before the meetings, so as to ensure that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner for effective and informed decision making.

The Company Secretary also ensures that the Board meetings are convened and constituted in accordance with all applicable laws, regulations and the procedural requirements set out in the Articles of Association at all times. In addition, the Company Secretary will take minutes of the meetings and circulate them to Directors for comments at a reasonable time after the meetings. After incorporating Directors' comments, the executed version of the minutes will be maintained by the Company Secretary and be open for Directors' inspection during normal office hours.

(F) SHAREHOLDERS' RIGHTS

The Company had posted the Shareholders' Communication Policy, which sets out its policy of maintaining communications with Shareholders, Shareholders' rights and the procedures that Shareholders can use to propose a person for election as a Director, on its website (http://www.geelyauto.com.hk) for Shareholders' inspection if they so wish.

How can Shareholders convene an extraordinary general meeting and put forward proposals at the general meetings

All general meetings other than the AGM are called EGMs. An EGM may be convened at the request of (or requisitioned by) Shareholders under the following conditions:

1. On the written requisition of any two or more Shareholders of the Company holding as at the date of deposit of the requisition not less than 10 per cent of the paid-up capital of the Company which carries the right of voting at general meetings of the Company;

2. The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong as set out on page 160 of this annual report under the 'Directory' section;

3. If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionists representing more than one-half of their total voting rights in aggregate may convene the general meeting themselves, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition;

4. The requisitionists must convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company; and

5. If the Board fails to give Shareholders sufficient notice (i.e. not less than 21 days for the AGM and/or for passing of special resolution(s) at the EGM, or not less than 14 days for passing of ordinary resolution(s) at the EGM), the meeting is deemed not to have been duly convened.

If Shareholders would like to put forward proposals at the general meetings, they have to sign a written proposal specifying the details of the proposals and their contact details (e.g. name, telephone number, email address, etc.) and addressing it to the Board (care of the Company Secretary) then deposit it at the Company's principal place of business in Hong Kong, not less than 32 days before the upcoming general meeting at the time. The Board shall take into consideration the proposals and reply to them by writing of when and how the proposals are considered, or if applicable, why the proposals not accepted in due course.

Enquiries to be properly directed to the Board

The Company's Investor Relations Department being led by an executive Director, namely Mr. Ang Siu Lun, Lawrence ("Mr. Ang") is responsible for responding general enquiries on the Company's business operations from Shareholders. Mr. Ang is delegated by the Board to handle enquiries from the Shareholders and report to the Board on enquiries gathered for further discussions from time to time, so as to ensure that those enquiries are properly directed.

When dealing with enquiries, the Investor Relations Department is in strict compliance with the internal policy of the Company on inside information at all times.

Communication with Shareholders

CP E.1.2 (applicable to both the former Code and the CG Code) provides that the Chairman and the chairman of respective Board committees shall attend the annual general meeting of the Company and CP A.6.7 (applicable to the CG Code only) stipulates that the independent non-executive Directors and the non-executive Director shall attend the general meetings of the Company. If the Chairman could not attend the general meeting of the Company in person, he would assign an executive Director, who shall report to him on any enquiries Shareholders might have, to attend the general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Chairman to discuss any specific enquiries with respect to the businesses contemplated in the general meeting if they so wish. Other Directors would be invited to attend the general meeting via conference call. In addition, the external auditors shall attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies and auditor independence.

The Company held its annual general meeting on 18 May 2012. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting in person. Mr. Ang Siu Lun, Lawrence, an executive Director, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, Mr. Yeung Sau Hung, Alex, an independent non-executive Director and the chairman of the Remuneration Committee, and Grant Thornton Hong Kong Limited, the Company's external auditors, attended and answered questions raised by the Shareholders at the annual general meeting physically. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, and Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call. The attendance rate of the Directors at the AGM is set out on page 33 of this CG Report.

To approve the discloseable and continuing connected transactions (details are set out in the Company's circular dated 6 December 2012) for the Company, the Company held an extraordinary general meeting on 24 December 2012. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting in person. Mr. Ang Siu Lun, Lawrence, an executive Director, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, Mr. Yeung Sau Hung, Alex, an independent non-executive Director and the chairman of the Remuneration Committee, the Company's financial adviser, and the independent financial adviser attended the extraordinary general meeting physically and answered questions raised by the Shareholders. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, and Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call. The attendance rate of the Directors at the EGM is set out on page 33 of this CG Report.

Voting by Poll

For any resolutions proposed by the Company at the general meetings, bundling resolutions should be avoided. The Listing Rules stipulates that any vote of shareholders at all general meetings would be all taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The chairman of the general meetings shall ensure that an explanation is provided with the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll to ensure that the Shareholders are familiar with the procedures.

(G) INVESTOR RELATIONS

Changes in Memorandum and Articles of Association

Reference is made to the Company's circular dated 29 March 2012. At the Company's annual general meeting held on 18 May 2012, the Company proposed to amend its Memorandum and Articles of Association to align it with the changes to the Listing Rules, amendments to the CG Code and associated Listing Rules, and Cayman Islands Companies Law 2011 Revision as detailed as follows:

(i) recent changes made to the Listing Rules permitting a listed company to send corporate communications to its shareholders in an electronic format, conditional upon, among other things, its constitutional documents contain provision to that effect;

(ii) amendments to the CG Code and associated Listing Rules promulgated by the Stock Exchange which came into effect on 1 April 2012; and

(iii) certain minor housekeeping amendments for Companies Law 2011 Revision in Cayman Islands.

The amended and restated Memorandum and Articles of Association of the Company was adopted and a copy of which is maintained on the Company's website (http://www.geelyauto.com.hk) and on the Stock Exchange's website (http://www.hkexnews.hk) for investors' inspection if they so wish.

Indication of important Shareholders' dates in 2013/2014

Event		*Date*
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	:	14 – 16 May 2013 (Tuesday – Thursday)
Forthcoming annual general meeting	:	16 May 2013 (Thursday)
Ex-final dividend	:	27 May 2013 (Monday)
Book Close for entitlement of final dividend	:	29 – 31 May 2013 (Wednesday – Friday)
Record date for final dividend entitlement	:	31 May 2013 (Friday)
Final dividend distribution	:	July 2013
2013 interim results announcement	:	Late August 2013 (to be confirmed)
Financial year end	:	31 December 2013 (Tuesday)
2013 annual results announcement	:	Late March 2014 (to be confirmed)

DIRECTORS' REPORT

The Directors present their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 67 and page 68, respectively of the annual report. The directors recommend the payment of a final dividend of HK0.039 per share to the shareholders on the register of members on 31 May 2013, amounting to approximately RMB260,994,000.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 May 2013 to 16 May 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 16 May 2013, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 13 May 2013.

The register of members of the Company will be closed from 29 May 2013 to 31 May 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 28 May 2013.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of movements during the year in the property, plant and equipment and intangible assets of the Group are set out in note 15 and note 16, respectively, to the consolidated financial statements. During the year, there was also an increase in the property, plant and equipment and intangible assets. Such increase was mainly attributable to the additions used for the research and development of new vehicle models, new engines and gearboxes; the expansion and upgrading of production facilities of the Group.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements during the year in the reserves of Group and the Company set out in the consolidated statement of changes in equity on page 72 and the movement of reserves of the Company on page 153 of the annual report, respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

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

Non-executive directors:

Mr. Yin Da Qing, Richard *(Resigned on 9 January 2013)*
Mr. Carl Peter Edmund Moriz Forster *(Appointed on 9 January 2013)*

Independent non-executive directors:

Mr. Song Lin
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang *(Re-designated on 17 May 2012)*

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Dr. Zhao Fuquan and Ms. Wei Mei shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting. In addition, pursuant to Article 99 of the Company's Articles of Association, Mr. Carl Peter Edmund Moriz Forster shall retire and being eligible, shall offer himself for re-election at the forthcoming annual general meeting. No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors all have a fixed term of 3-year service and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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

As at 31 December 2012, 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 securities in the Company *Long position*	*Short position*	Shareholding percentage *(%)*
Shares				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporation	3,751,159,000	–	45.42
Mr. Yang Jian	Personal	8,000,000	–	0.10
Mr. Gui Sheng Yue	Personal	11,800,000	–	0.14
Mr. An Cong Hui	Personal	6,000,000	–	0.07
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Dr. Zhao Fuquan	Personal	4,500,000	–	0.05
Mr. Liu Jin Liang	Personal	6,000,000	–	0.07
Mr. Yin Da Qing, Richard	Personal	6,600,000	–	0.08

Name of director	Capacity	Number of securities in the Company *Long position*	*Short position*	Shareholding percentage *(%)*
Share options				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.15
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.14
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.11
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.13
Mr. Li Dong Hui, Daniel	Personal	7,000,000 (Note 2)	–	0.08
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.11
Dr. Zhao Fuquan	Personal	11,000,000 (Note 2)	–	0.13
Ms. Wei Mei	Personal	8,000,000 (Note 2)	–	0.10
Mr. Yin Da Qing, Richard	Personal	11,000,000 (Note 2)	–	0.13
Mr. Song Lin	Personal	1,000,000 (Note 2)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	–	0.01

Note:

(1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 45.42% of the issued share capital of the Company as at 31 December 2012. 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 share option interest is also referred to in the section headed "Share Options" below. 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 of 31 December 2012.

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

Name of Director	**Name of the associated corporations**	**Number of shares in the 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)

Name of Director	Name of the associated corporations	Number of shares in the associated corporations		Shareholding percentage
		Long Position	*Short Position*	*(%)*
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)
Mr. Li Shu Fu	Lanzhou Geely Automobile Industries Company Limited	(Note 13)	–	(Note 13)

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 and his associate.

(3) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(4) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(6) Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun") is incorporated in the PRC and is 1%-owned by Zhejiang Geely. Zhejiang Geely is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile. Shanghai Maple Automobile is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(8) Zhejiang Kingkong Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(9) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(10) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing. Zhejiang Haoqing is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(11) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

(12) 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.

(13) Lanzhou Geely Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple. Zhejiang Jirun and Shanghai Maple is 1% directly owned by Zhejiang Geely and Shanghai Maple Automobile, respectively. Both Zhejiang Geely and Shanghai Maple Automobile are private companies incorporated in the PRC and are beneficially wholly owned by Mr. Li Shu Fu and his associate.

Save as disclosed above, as at 31 December 2012, 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.

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

As at 31 December 2012, 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*	*(%)*
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	–	29.81
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	–	45.42
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	9.40
Geely Group Ltd. (Note 1)	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,462,400,000	–	29.81
The Goldman Sachs Group, Inc.	Interest in controlled corporation	621,128,913	–	7.52
Gehicle Investment Holdings (Delaware) LLC	Beneficial owner	529,589,695	–	6.41
Gehicle Investment Parallel Holdings	Beneficial owner	152,991,322	–	1.85

Note:

1. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is wholly owned by Mr. Li Shu Fu. Geely Holding is a private company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

2. Zhejiang Geely is a private company incorporated in the PRC and is beneficially owned by Mr. Li Shu Fu and his associate.

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 31 December 2012 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

Particulars of the Company' share option scheme are set out in note 33 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year.

	Exercise Period	Exercise price per share HK$	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2012
Director							
Mr. Yang Jian	18.1.2010 – 17.1.2020	4.07	12,000,000	–	–	–	12,000,000
Mr. Gui Sheng Yue	18.1.2010 – 17.1.2020	4.07	11,500,000	–	–	–	11,500,000
Mr. An Cong Hui	18.1.2010 – 17.1.2020	4.07	9,000,000	–	–	–	9,000,000
Mr. Ang Siu Lun, Lawrence	18.1.2010 – 17.1.2020	4.07	11,000,000	–	–	–	11,000,000
Mr. Li Dong Hui, Daniel	23.3.2012 – 22.3.2022	4.07	–	7,000,000	–	–	7,000,000
Mr. Liu Jin Liang	18.1.2010 – 17.1.2020	4.07	9,000,000	–	–	–	9,000,000
Dr. Zhao Fuquan	8.5.2008 – 7.5.2013	0.92	11,000,000	–	(11,000,000)	–	–
	18.1.2010 – 17.1.2020	4.07	11,000,000	–	–	–	11,000,000
Ms. Wei Mei	18.1.2010 – 17.1.2020	4.07	3,000,000	–	–	–	3,000,000
	23.3.2012 – 22.3.2022	4.07	–	5,000,000	–	–	5,000,000
Mr. Yin Da Qing, Richard	18.1.2010 – 17.1.2020	4.07	11,000,000	–	–	–	11,000,000
Mr. Song Lin	18.1.2010 – 17.1.2020	4.07	1,000,000	–	–	–	1,000,000
Mr. Lee Cheuk Yin, Dannis	18.1.2010 – 17.1.2020	4.07	1,000,000	–	–	–	1,000,000
Mr. Yeung Sau Hung, Alex	18.1.2010 – 17.1.2020	4.07	1,000,000	–	–	–	1,000,000
Continuous contract employees	18.09.2007 – 17.9.2012	1.06	5,000,000	–	(5,000,000)	–	–
	8.5.2008 – 7.5.2013	0.92	30,035,000	–	(15,705,000)	–	14,330,000
	18.1.2010 – 17.1.2020	4.07	397,700,000	–	–	(38,300,000)	359,400,000
	21.4.2010 – 20.4.2020	4.07	15,900,000	–	–	(1,500,000)	14,400,000
	23.3.2012 – 22.3.2022	4.07	–	12,000,000	–	–	12,000,000
	25.6.2012 – 24.6.2022	4.07	–	9,000,000	–	–	9,000,000
			540,135,000	33,000,000	(31,705,000)	(39,800,000)	501,630,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions between the Group and other companies under the control of Mr. Li Shu Fu during the year are set out in note 35 to the consolidated financial statements.

Save as disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute continuing connected transactions under the Listing Rules. All the continuing connected transactions with disclosure requirements under the Listing Rules during the year were listed below and some of these transactions were also set out in note 35 to the consolidated financial statements.

1. Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) between Shanghai LTI and Shanghai Maple Automobile

Pursuant to the Supply and Purchase Agreement for Automobile Parts and Components, SKD Components and CKDs (without the imported engine, transmission and automobile parts) dated 27 November 2009, the Shanghai LTI Automobile Components Company Limited ("Shanghai LTI") agrees to supply to the Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") and Shanghai Maple Automobile agrees to purchase from the Shanghai LTI the automobile parts and components, SKD components and CKDs (without the imported engine, transmission and automobile parts) to be used in the LTI TX Series Products and saloon cars in accordance with product specification set out in the Supply and Purchase Agreement for Automobile Parts, Components and Sub-Assembly.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB112.497 million which, did not exceed the annual cap of RMB2,546.959 million for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB112.497 million which, did not exceed the annual cap of RMB2,546.959 million for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

2. Services Agreement between the Company and Geely Holding

- ***Sales of CKDs and Sedan Tool Kits from the Group to the Geely Holding Group***

  Pursuant to the Services Agreement dated 27 November 2009, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to supply to the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group"), Complete Knock Down Kits ("CKDs") and sedan tool kits in accordance with the product specifications set out in the Services Agreement.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB21,169.457 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB46,990.473 million for sales of CKDs and sedan tool kits for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

  Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB21,169.457 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB46,990.473 million for sales of CKDs and sedan tool kits for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Sales of CBUs, automobile parts and components; and provision of process manufacturing services from Geely Holding Group to the Group***

  Pursuant to the Services Agreement dated 27 November 2009, Geely Holding Group agreed to sell to the Group the complete buildup units (CBUs), automobile parts and components;

and provide process manufacturing process to the Group in accordance with the product and service specifications set out in the Services Agreement.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB28,307.494 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB59,491.730 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB28,307.494 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB59,491.730 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

3. **Loan Guarantee Agreement between the Company and Geely Holding**

Pursuant to the Loan Guarantee Agreement dated 27 November 2009, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to provide guarantees (including the pledge of certain lands, buildings and facilities of the subsidiaries) on loans obtained or to be obtained by the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group") on behalf of the Group's subsidiaries in relation to the manufacture and research and development of sedans of the Group.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB600 million which, did not exceed the annual cap of RMB800 million for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB600 million which, did not exceed the annual cap of RMB800 million for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

4. Lease Agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College (previously known as "Zhejiang Economic Management College")

Pursuant to the Lease Agreement dated 27 November 2009, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to lease properties located in Zhejiang Province, to the Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding Group") and Zhejiang Automotive Vocational and Technical College (previously known as "Zhejiang Economic Management College").

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB8.01 million which, did not exceed the annual cap of RMB10.194 million for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB8.01 million which, did not exceed the annual cap of RMB10.194 million for the year ended 31 December 2012 as approved by the Stock Exchange and the Independent Shareholders.

5. Services Agreement between the Company and Geely Holding

Pursuant to the Services Agreement dated 11 April 2012, Geely Holding and its subsidiaries (collectively, the "Geely Holding Group") agreed to sell to Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") the processed automobile parts and components.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB30.274 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB151.898 million for sales of processed automobile parts and components for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB30.274 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB151.898 million for sales of processed automobile parts and components for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

6. CBU Agreement between the Company and Geely Holding

Pursuant to the CBU Agreement dated 11 April 2012, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agreed to sell to Geely Holding and its subsidiaries (collectively, the "Geely Holding Group") the complete buildup units (CBUs), in accordance with the product and service specifications set out in the CBU Agreement.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB58.747 million for sales of CBUs which did not exceed the annual cap of RMB136 million for sales of CBUs for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be RMB58.747 million for sales of CBUs which did not exceed the annual cap of RMB136 million for sales of CBUs for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

7. **Imported Parts Purchase Agreement between the Shanghai Maple Auto Sales and Shanghai Maple**

Pursuant to the Imported Parts Purchase Agreement dated 27 November 2009, Shanghai Maple Automobile Sales Company Limited (the "Shanghai Maple Auto Sales") agreed to purchase from Shanghai Maple Automobile Company Limited (the "Shanghai Maple") the imported TX4 after-sales car parts, in accordance with the product and service specifications set out in the Imported Parts Purchase Agreement.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be nil for the purchase of imported TX4 after-sales car parts which did not exceed the annual cap of RMB40 million for the purchase of imported TX4 after-sales car parts for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) had been determined to be nil for the purchase of imported TX4 after-sales car parts which did not exceed the annual cap of RMB40 million for the purchase of imported TX4 after-sales car parts for the year ended 31 December 2012 as approved by the Stock Exchange and the independent shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company 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 the Officers (the "Code"). All directors of the Company have confirmed their compliance during the year with the required standards set out in the Model Code and the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

DIRECTORS' REPORT

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 73% and 55%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited, Shanghai Maple Engine Company Limited and Zhejiang Wisdom Electronics Equipment Company Limited, all of them are related companies controlled by the substantial shareholder of the Company, in aggregate constituted the Group's first largest supplier for the year.

The percentage of sales attributable to the Group's five largest customers and the largest customer are 12% and 4% respectively, of the Group's total sales for the year.

Save as disclosed above, at no time during the year did the directors, their associates, or shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 25 to 45 of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Corporate Governance Code as defined in the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Messrs. Lee Cheuk Yin, Dannis, Song Lin, Yeung Sau Hung, Alex, Fu Yu Wu, Wang Yang who are the independent non-executive directors of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands. Based on the information available and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC.

Zhejiang Geely Holding Group Company Limited ("Geely Holding"), which is ultimately owned by Mr. Li Shu Fu ("Mr. Li"), the Company's Chairman, and his associates, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Zhejiang Geely Holding Group Company Limited will constitute competing businesses (the "Competing Businesses") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "Undertaking") 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 all of the Competing Businesses and related assets, 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.

In August 2010, Geely Holding has completed the acquisition of Volvo Car Corporation, which manufactures of Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "Volvo Acquisition"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, but Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2011 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

AUDITORS

Grant Thornton (formerly known as Grant Thornton Jingdu Tianhua) was first appointed as auditors of the Company in 2010. In 2012, Grant Thornton has incorporated its practice and practise in the name of Grant Thornton Hong Kong Limited.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Grant Thornton Hong Kong Limited as the auditors of the Company.

On behalf of the Board

Li Shu Fu
Chairman
20 March 2013

ACCOUNTS

INDEPENDENT AUDITORS' REPORT

Grant Thornton
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To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 159, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Grant Thornton
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AUDITORS' RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

20 March 2013

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated) (Note 4)
Turnover/Revenue	7	**24,627,913**	20,964,931
Cost of sales		**(20,069,092)**	(17,144,820)
Gross profit		**4,558,821**	3,820,111
Other income	9	**1,047,685**	997,035
Distribution and selling expenses		**(1,483,014)**	(1,359,337)
Administrative expenses, excluding share-based payments		**(1,319,308)**	(962,980)
Share-based payments	33	**(78,789)**	(137,150)
Finance costs, net	10	**(194,605)**	(167,272)
Share of results of associates	19	**(1,713)**	(7,199)
Profit before taxation		**2,529,077**	2,183,208
Taxation	11	**(479,291)**	(467,359)
Profit for the year	10	**2,049,786**	1,715,849
Attributable to:			
Equity holders of the Company		**2,039,969**	1,543,437
Non-controlling interests		**9,817**	172,412
		2,049,786	1,715,849
Earnings per share			
Basic	13	**RMB27.05 cents**	RMB20.72 cents
Diluted	13	**RMB26.34 cents**	RMB19.20 cents

The notes on pages 75 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Profit for the year	**2,049,786**	1,715,849
Other comprehensive income:		
Exchange differences on translation of foreign operations recognised	**(1,028)**	(23,493)
Gain/(Loss) arising on revaluation of available-for-sale financial assets	**132**	(174)
Total comprehensive income for the year	**2,048,890**	1,692,182
Attributable to:		
Equity holders of the Company	**2,039,073**	1,519,770
Non-controlling interests	**9,817**	172,412
	2,048,890	1,692,182

The notes on pages 75 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	**7,007,742**	6,795,825
Intangible assets	16	**2,814,497**	2,221,745
Goodwill	18	**6,222**	6,222
Interests in associates	19	**195,165**	83,719
Available-for-sale financial assets	23	**3,661**	3,636
Prepaid land lease payments	17	**1,461,026**	1,479,575
Deferred tax assets	27	**36,561**	–
		11,524,874	10,590,722
Current assets			
Prepaid land lease payments	17	**38,144**	37,582
Inventories	20	**1,822,287**	1,357,506
Trade and other receivables	21	**13,475,632**	12,214,691
Financial assets at fair value through profit or loss	22	**12,676**	12,225
Tax recoverable		**3,816**	109
Pledged bank deposits		**313,535**	353,532
Bank balances and cash		**4,188,862**	3,030,391
		19,854,952	17,006,036
Current liabilities			
Trade and other payables	25	**15,183,394**	12,114,356
Taxation		**130,789**	338,768
Borrowings	26	**1,378,933**	2,531,639
		16,693,116	14,984,763
Net current assets		**3,161,836**	2,021,273
Total assets less current liabilities		**14,686,710**	12,611,995

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2012

	Note	**2012 RMB'000**	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**152,557**	139,573
Reserves	29	**12,734,100**	9,442,627
Equity attributable to equity holders of the Company		**12,886,657**	9,582,200
Non-controlling interests		**317,367**	567,915
Total equity		**13,204,024**	10,150,115
Non-current liabilities			
Convertible bonds	24	**848,649**	1,526,760
Borrowings	26	**525,000**	842,926
Deferred tax liabilities	27	**109,037**	92,194
		1,482,686	2,461,880
		14,686,710	12,611,995

Li Shu Fu
Director

Gui Sheng Yue
Director

The notes on pages 75 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds and warrant reserve RMB'000	Fair value reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	139,279	3,459,019	88,059	17,614	135,698	283,534	232,864	–	3,665,815	8,021,882	1,055,795	9,077,677
Profit for the year	–	–	–	–	–	–	–	–	1,543,437	1,543,437	172,412	1,715,849
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	–	–	–	–	(23,493)	–	–	–	–	(23,493)	–	(23,493)
Loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	(174)	–	(174)	–	(174)
Total comprehensive income for the year	–	–	–	–	(23,493)	–	–	(174)	1,543,437	1,519,770	172,412	1,692,182
Transactions with owners:												
Utilisation of reserve	–	–	–	(213)	–	–	–	–	213	–	–	–
Shares issued under share option scheme	294	16,189	–	–	–	(2,633)	–	–	–	13,850	–	13,850
Disposal of partial interest in a subsidiary (without losing control)	–	–	–	–	–	–	–	–	179	179	1,571	1,750
Acquisition of additional equity interests in subsidiaries (note 40)	–	–	–	–	–	–	–	–	59,785	59,785	(661,863)	(602,078)
Recognition of share-based payments	–	–	–	–	–	137,150	–	–	–	137,150	–	137,150
Transfer upon forfeiture of share options	–	–	–	–	–	(165)	–	–	165	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(170,416)	(170,416)	–	(170,416)
Total transactions with owners	294	16,189	–	(213)	–	134,352	–	–	(110,074)	40,548	(660,292)	(619,744)
Balance at 31 December 2011	139,573	3,475,208	88,059	17,401	112,205	417,886	232,864	(174)	5,099,178	9,582,200	567,915	10,150,115

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds and warrant reserve RMB'000	Fair value reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	139,573	3,475,208	88,059	17,401	112,205	417,886	232,864	(174)	5,099,178	9,582,200	567,915	10,150,115
Profit for the year	-	-	-	-	-	-	-	-	2,039,969	2,039,969	9,817	2,049,786
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	(1,028)	-	-	-	-	(1,028)	-	(1,028)
Gain arising on revaluation of available-for-sale financial assets	-	-	-	-	-	-	-	132	-	132	-	132
Total comprehensive income for the year	-	-	-	-	(1,028)	-	-	132	2,039,969	2,039,073	9,817	2,048,890
Transactions with owners:												
Transfer of reserve	-	-	-	42,781	-	-	-	-	(42,781)	-	-	-
Shares issued under share option scheme	514	28,936	-	-	-	(5,257)	-	-	-	24,193	-	24,193
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	245	245
Acquisition of additional equity interests in subsidiaries (note 40)	-	-	-	-	-	-	-	-	15,391	15,391	(259,777)	(244,386)
Recognition of share-based payments	-	-	-	-	-	78,789	-	-	-	78,789	-	78,789
Shares issued upon conversion of convertible bonds	7,618	795,046	-	-	-	-	(79,666)	-	-	722,998	-	722,998
Shares issued upon exercise of warrants	4,852	648,617	-	-	-	-	(59,927)	-	-	593,542	-	593,542
Dividends paid	-	-	-	-	-	-	-	-	(169,529)	(169,529)	(833)	(170,362)
Total transactions with owners	12,984	1,472,599	-	42,781	-	73,532	(139,593)	-	(196,919)	1,265,384	(260,365)	1,005,019
Balance at 31 December 2012	152,557	4,947,807	88,059	60,182	111,177	491,418	93,271	(42)	6,942,228	12,886,657	317,367	13,204,024

The notes on pages 75 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Profit before taxation		**2,529,077**	2,183,208
Adjustments for:			
Depreciation and amortisation		**860,096**	641,910
Interest income		**(42,156)**	(44,084)
Dividend income		**–**	(822)
Finance costs		**236,761**	211,356
Share of results of associates		**1,713**	7,199
(Gain)/Loss on disposal of property, plant and equipment		**(1,883)**	3,530
Gain on disposal of intangible assets		**(264)**	(515)
Gain on disposal of prepaid land lease payments		**–**	(5,641)
Net foreign exchange (gain)/loss		**(14,861)**	3,139
Gain on disposal of available-for-sale financial assets		**(1,176)**	(1,620)
Unrealised (gain)/loss on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)		**(451)**	722
Share-based payment expenses		**78,789**	137,150
Operating profit before working capital changes		**3,645,645**	3,135,532
Inventories		**(464,781)**	(363,179)
Trade and other receivables		**(1,346,684)**	(2,321,805)
Trade and other payables		**3,314,131**	1,038,118
Cash from operations		**5,148,311**	1,488,666
Income taxes paid		**(710,712)**	(280,726)
Net cash from operating activities		**4,437,599**	1,207,940

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

	Note	**2012 RMB'000**	2011 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,076,262)**	(1,420,269)
Proceeds from disposal of property, plant and equipment		**101,640**	199,406
Addition of prepaid land lease payments		**(29,237)**	(8,327)
Proceeds from disposal of prepaid land lease payments		**9,478**	83,086
Addition of intangible assets		**(816,624)**	(768,305)
Proceeds from disposal of intangible assets		**13,857**	18,662
Change in pledged bank deposits		**39,997**	(110,950)
Acquisition of subsidiaries	38	**–**	(398,023)
Acquisition of additional interests in subsidiaries		**(244,386)**	(602,078)
Proceeds on disposal of partial interest in a subsidiary (without losing control)		**–**	1,750
Capital contribution from a non-controlling shareholder		**245**	–
Investment in associates		**(112,262)**	(90,918)
Purchase of available-for-sale financial assets		**(180,814)**	(753,810)
Proceeds from disposal of available-for-sale financial assets		**181,175**	851,620
Interest received		**42,156**	44,084
Dividend received from financial assets at fair value through profit or loss (listed investments)		**–**	822
Net cash used in investing activities		**(2,071,037)**	(2,953,250)
Cash flows from financing activities			
Dividends paid		**(170,362)**	(170,416)
Proceeds from issuance of shares upon exercise of share options		**24,193**	13,850
Proceeds from issuance of shares upon exercise of warrants		**593,542**	–
Proceeds from borrowings		**2,463,410**	1,942,752
Repayment of borrowings		**(3,923,892)**	(1,227,168)
Interest paid		**(193,061)**	(166,192)
Net cash (used in)/from financing activities		**(1,206,170)**	392,826
Increase/(Decrease) in cash and cash equivalents		**1,160,392**	(1,352,484)
Cash and cash equivalents at beginning of year		**3,030,391**	4,393,075
Effect of foreign exchange rate changes		**(1,921)**	(10,200)
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		**4,188,862**	3,030,391

The notes on pages 75 to 159 are an integral part of these financial statements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public listed limited liability company incorporated in the Cayman Islands as an exempted limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The addresses of the registered office and principal place of business of the Company are disclosed in "Directory" to the annual report. At 31 December 2012, the directors consider the ultimate holding company of the Company to be Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is incorporated in the People's Republic of China ("PRC").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as fair value through profit or loss are stated at their fair value as explained in the accounting policy set out in note 5(g).

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The consolidated financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 20 March 2013.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 67 to 159 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out in note 5 below.

In the current year, 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 2012:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Income Taxes – Deferred Tax: Recovery of Underlying Assets

2. STATEMENT OF COMPLIANCE (Continued)

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.

In the current year, the Group has changed the presentation of bank and other interest income. Details are set out in note 4 below.

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

The Group has not early applied the following new and revised standards, amendments or interpretations relevant to the Group's operations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 27 (Amendments)	Separate Financial Statements (2011)[2]
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures (2011)[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

The HKAS 1 (Amendments) requires an entity to group items presented in other comprehensive income into those that, in accordance with other HKFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

HKAS 27 (Amendments) – Separate Financial Statements (2011)

The requirements relating to separate financial statements are unchanged and are included in the amended HKAS 27. The other portions of HKAS 27 are replaced by HKFRS 10.

HKAS 28 (Amendments) – Investments in Associates and Joint Ventures (2011)

HKAS 28 is amended to be consistent with the requirements of HKFRS 10, HKFRS 11 and HKFRS 12.

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE (Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, all recognised financial assets that are within the scope of the HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically under HKFRS 9, for all financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss. The Group is currently assessing the impact of adopting HKFRS 9.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the consolidation guidance in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under HKFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of HKFRS 10 is not expected to have any significant impact to the Group.

HKFRS 11 – Joint Arrangements

HKFRS 11 introduces new accounting requirements for joint arrangements, replacing HKAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, HKFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The adoption of HKFRS 11 is not expected to have any significant impact to the Group.

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE (Continued)

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of HKFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of HKFRS 12 is not expected to have any significant impact to the Group.

HKFRS 13 – Fair Value Measurement

HKFRS 13 applies when another HKFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for certain exemptions. HKFRS 13 requires the disclosures of fair values through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of the Group.

4. CHANGE IN PRESENTATION ON BANK AND OTHER INTEREST INCOME

During the year ended 31 December 2012, the Group changed its presentation on bank and other interest income which was previously included in other income in the consolidated income statement. Subsequent to the change in presentation, bank and other interest income of RMB42,156,000 (2011: RMB44,084,000) was included in net finance costs in the consolidated income statement.

Management believes that the change in presentation results in providing a more appropriate presentation of financial information of the Group. The change in the presentation has been accounted for retrospectively and the other income, net finance costs and segment information in the consolidated financial statements have been restated in prior year.

There was no impact on the profit for the year and earnings per share for the year ended 31 December 2012 and 2011. Prior year consolidated statement of financial position was not affected by this reclassification of items and hence the consolidated statement of financial position as at 1 January 2011 was not presented.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

(a) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

On disposal of a cash-generating unit or an associate, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Interests in associates (Continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Where necessary, adjustments are made to the financial statements of associates to bring their accounting policies in line with those used by the Group.

(d) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation). The following useful lives are applied:

Capitalised development costs	5 to 10 years

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Any gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals of impairment losses in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised in the other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are divided into two subcategories, including financial assets held for trading and those designated as financial assets at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading may be designated as a financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit or loss.

At each reporting date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Convertible bonds

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 profit or loss and the remaining portion is deducted from the liability component.

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity component. A convertible bond which included such an equity component is classified as a compound instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debt. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

The liability component is subsequently measured at amortised cost, using the effective interest 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. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the embedded derivatives are subsequently measured at their fair values at each reporting date with changes in fair value recognised in profit or loss.

If the convertible bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds reserve is released directly to accumulated profits.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised on a straight-line basis over the life of the guarantee. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Property, plant and equipment, other than freehold land and construction in progress, are depreciated on a straight-line basis at the following useful lives:

Leasehold buildings	30 years
Buildings on freehold land	10 to 30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

Freehold land is stated at cost less accumulated impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment

Goodwill and other intangible assets that are not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and related sales taxes.

Income from sales of automobiles and automobile parts and components is recognised when the products are delivered and title has been passed.

Claim income on defective materials purchased is recognised when the claim has been made to and confirmed by relevant suppliers.

Rental income receivable from operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

(m) Equity-settled share-based transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Equity-settled share-based transactions (Continued)

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(n) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

(o) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of prepaid land leases, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

A party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill (note 18) is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Fair value of financial instruments

As described in note 37 to the consolidated financial statements, the valuation techniques applied and related inputs used by the external valuers for financial instruments not quoted in an active market have been agreed with the directors.

In valuing the share-based payments realised in the Group's financial statements, the Company has used the Binomial Option Pricing model, which makes various assumptions on factors outside the Group's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 33.

The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables (note 21). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Allowance for inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of long lived assets

If circumstances indicate that the net book value of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of long lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

Depreciation and amortisation

Property, plant and equipment and intangible assets with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Impairment of investments

The Group assesses annually and at each interim reporting date if investments in associates have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the respective accounting policies. The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts.

7. TURNOVER/REVENUE

Turnover/revenue represents the consideration received and receivable from sales, net of discounts, returns and related sales taxes, of automobiles and automobile parts and components.

The Group's customer base is diversified and no customer with whom the transactions has exceeded 10% of the Group's revenue.

8. SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Automobiles and related parts and components: Manufacture and sale of automobiles, automobile parts and related automobile components (excluding gearboxes).

Gearboxes: Manufacture and sale of gearboxes.

8. SEGMENT INFORMATION (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 5 above. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, directors' emoluments, share of results of associates, net finance costs and taxation. Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and other corporate assets. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments is set out below.

Consolidated income statement

For the year ended 31 December 2012

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Sales to external customers	23,924,077	703,836	–	–	24,627,913
Inter-segment	91,375	638,588	–	(729,963)	–
Total segment revenue	24,015,452	1,342,424	–	(729,963)	24,627,913
Segment results	2,811,568	5,781	–	–	2,817,349
Finance costs, net	(93,029)	537	(101,918)	(195)	(194,605)
Corporate and other unallocated expenses	–	–	(105,652)	–	(105,652)
Other unallocated income	–	–	81,948	(68,250)	13,698
Share of results of associates	(1,713)	–	–	–	(1,713)
Profit before taxation					2,529,077
Taxation					(479,291)
Profit for the year					2,049,786

8. SEGMENT INFORMATION (Continued)

Consolidated statement of financial position

At 31 December 2012

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
ASSETS					
Segment assets	28,855,399	1,904,091	425,171	–	31,184,661
Interests in associates	195,165	–	–	–	195,165
	29,050,564	1,904,091	425,171	–	31,379,826
LIABILITIES					
Segment liabilities	16,136,296	1,033,444	1,006,062	–	18,175,802

Other information

For the year ended 31 December 2012

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Capital additions (note)	1,739,358	25,029	1,013	–	1,765,400
Amortisation of intangible assets	197,664	12,776	–	–	210,440
Amortisation of prepaid land lease payments	37,060	686	–	–	37,746
Depreciation of property, plant and equipment	556,092	55,712	106	–	611,910

Note: Capital additions are presented before the deduction of the asset-related government grants received (if any).

8. SEGMENT INFORMATION (Continued)

Consolidated income statement (Restated)

For the year ended 31 December 2011

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Sales to external customers	20,170,835	794,096	–	–	20,964,931
Inter-segment	37,177	452,275	–	(489,452)	–
Total segment revenue	20,208,012	1,246,371	–	(489,452)	20,964,931
Segment results	2,495,723	28,027	–	–	2,523,750
Finance costs, net	(75,465)	2,765	(94,572)	–	(167,272)
Corporate and other unallocated expenses	–	–	(166,071)	–	(166,071)
Share of results of associates	(7,199)	–	–	–	(7,199)
Profit before taxation					2,183,208
Taxation					(467,359)
Profit for the year					1,715,849

8. SEGMENT INFORMATION (Continued)

Consolidated statement of financial position

At 31 December 2011

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
ASSETS					
Segment assets	26,103,677	1,327,610	188,614	(106,862)	27,513,039
Interests in associates	83,719	–	–	–	83,719
	26,187,396	1,327,610	188,614	(106,862)	27,596,758
LIABILITIES					
Segment liabilities	15,329,710	558,271	1,665,524	(106,862)	17,446,643

Other information

For the year ended 31 December 2011

	Automobiles and related parts and components RMB'000	Gearboxes RMB'000	Unallocated RMB'000	Eliminations RMB'000	Total RMB'000
Capital additions (note)	3,082,437	174,323	92	–	3,256,852
Amortisation of intangible assets	104,055	6,870	–	–	110,925
Amortisation of prepaid land lease payments	27,392	1,051	–	–	28,443
Depreciation of property, plant and equipment	448,128	54,352	62	–	502,542

Note: Capital additions include those arising from the acquisition of subsidiaries (note 38) and are presented before the deduction of the asset-related government grants received (if any).

8. SEGMENT INFORMATION (Continued)

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, interests in associates, goodwill and prepaid land lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and prepaid land lease payments, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates.

	2012 RMB'000	2011 RMB'000
Revenue from external customers		
Hong Kong, place of domicile	–	–
PRC	19,304,515	18,923,680
Middle East	2,051,605	179,139
Europe	1,779,001	595,012
Korea	684,684	803,571
Central and South America	305,887	230,548
Africa	215,318	144,360
Australia	25,053	75,950
Other countries	261,850	12,671
	24,627,913	20,964,931

	2012 RMB'000	2011 RMB'000
Specified non-current assets		
Hong Kong, place of domicile	64	124
PRC	11,140,523	10,204,925
Australia	328,985	382,037
Other countries	15,080	–
	11,484,652	10,587,086

9. OTHER INCOME

	2012 **RMB'000**	2011 RMB'000 (Restated) (Note 4)
Dividend income from financial assets at fair value through profit or loss (listed investments)	**–**	822
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	**451**	–
Rental income (note a)	**41,089**	23,143
Net claims income on defective materials purchased	**–**	11,541
Gain on disposal of scrap materials	**56,226**	53,929
Gain on disposal of property, plant and equipment	**1,883**	–
Gain on disposal of prepaid land lease payments	**–**	5,641
Gain on disposal of intangible assets	**264**	515
Subsidy income from government (note b)	**870,119**	877,437
Gain on disposal of available-for-sale financial assets	**1,176**	1,620
Gain on sale of moulds	**12,089**	–
Net foreign exchange gain	**1,826**	–
Sundry income	**62,562**	22,387
	1,047,685	997,035

Notes:

a) Rental income net of outgoings for the year ended 31 December 2012 is RMB31,578,000 (2011: RMB15,890,000).

b) Subsidy income mainly relates to cash subsidies (excluding any asset-related subsidies) in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

10. PROFIT FOR THE YEAR

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

	2012 RMB'000	2011 RMB'000 (Restated) (Note 4)
Finance income and costs		
Finance costs		
Effective interest expense on convertible bonds	**93,019**	93,829
Interest on bank borrowings wholly repayable within five years	**141,843**	117,242
Interest expenses paid to a non-controlling shareholder of a subsidiary of the Group	**189**	285
Other interest expenses	**1,710**	–
	236,761	211,356
Finance income		
Bank and other interest income	**(42,156)**	(44,084)
Net finance costs	**194,605**	167,272

	2012 RMB'000	2011 RMB'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**1,246,924**	1,124,999
Retirement benefit scheme contributions	**161,229**	143,545
Recognition of share-based payments	**78,789**	137,150
	1,486,942	1,405,694

10. PROFIT FOR THE YEAR (Continued)

	2012 RMB'000	2011 RMB'000
Other items		
Cost of inventories recognised as expense (note)	**20,069,092**	17,144,820
Auditors' remuneration	**4,946**	5,013
Depreciation	**611,910**	502,542
Amortisation of prepaid land lease payments	**37,746**	28,443
Amortisation of intangible assets	**210,440**	110,925
(Gain)/Loss on disposal of property, plant and equipment	**(1,883)**	3,530
Net foreign exchange (gain)/loss	**(1,826)**	22,994
Net claims paid/(income) on defective materials purchased	**20,374**	(11,541)
Operating leases charges on premises	**17,218**	10,954
Research and development costs	**206,343**	105,847
Unrealised (gain)/loss on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	**(451)**	722

Note: Cost of inventories recognised as expense included staff costs, depreciation and amortisation expense and operating lease charges, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses.

11. TAXATION

	2012 RMB'000	2011 RMB'000
Current tax:		
PRC enterprise income tax	**476,135**	415,846
Other overseas tax	**26,482**	977
(Over)/Underprovision in prior years	**(3,591)**	31,362
	499,026	448,185
Deferred taxation (note 27)	**(19,735)**	19,174
	479,291	467,359

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profits in Hong Kong.

11. TAXATION (Continued)

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to an exemption from PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The income tax provision is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled from the profit before taxation per consolidated income statement as follows:

	2012 **RMB'000**	2011 RMB'000
Profit before taxation	**2,529,077**	2,183,208
Tax at the PRC enterprise income tax rate of 25% (2011: 25%)	**632,269**	545,802
Tax effect of expenses not deductible in determining taxable profit	**105,307**	152,851
Tax effect of non-taxable income	**(18,069)**	(46,486)
Tax effect of unrecognised tax losses	**19,132**	15,767
Utilisation of previously unrecognised tax losses	**(11,098)**	(75,300)
Tax effect of different tax rates of entities operating in other jurisdictions	**8,989**	21,720
Deferred tax charge on distributable profits withholding tax (note 27)	**18,464**	29,156
Effect of tax exemption granted to the PRC subsidiaries	**(272,112)**	(207,513)
(Over)/Underprovision in prior years	**(3,591)**	31,362
Tax expense for the year	**479,291**	467,359

The applicable tax rate is the PRC enterprise income tax rate of 25% (2011: 25%). The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of RMB18,464,000 (2011: RMB29,156,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

12. DIVIDENDS

A final dividend for the year ended 31 December 2011 of HK$0.028 per share amounting to approximately RMB169,529,000 were paid to the shareholders of the Company during the year.

A final dividend for the year ended 31 December 2012 of HK$0.039 per share amounting to approximately RMB260,994,000 has been proposed by the Board of Directors after the reporting date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2013 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB2,039,969,000 (2011: RMB1,543,437,000) and weighted average number of ordinary shares of 7,541,269,744 shares (2011: 7,450,443,245 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares at 1 January	**7,457,460,450**	7,440,755,450
Effect of shares issued upon exercise of share options	**16,505,820**	9,687,795
Effect of shares issued upon exercise of warrants	**26,188,144**	–
Effect of shares issued upon conversion of convertible bonds	**41,115,330**	–
Weighted average number of ordinary shares at 31 December	**7,541,269,744**	7,450,443,245

13. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2012 is based on the profit attributable to equity holders of the Company of RMB2,132,988,000 (2011: RMB1,637,266,000) and the weighted average number of ordinary shares of 8,099,202,678 shares (2011: 8,528,146,935 shares), calculated as follows:

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

	2012 **RMB'000**	2011 RMB'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders of the Company)	**2,039,969**	1,543,437
After tax effect of effective interest on the liability component of convertible bonds	**93,019**	93,829
Earnings for the purpose of diluted earnings per share	**2,132,988**	1,637,266

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

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,541,269,744**	7,450,443,245
Effect of deemed conversion of convertible bonds	**548,133,381**	1,008,151,554
Effect of deemed exercise of warrants	**–**	39,403,557
Effect of deemed issue of shares under the Company's share option scheme	**9,799,553**	30,148,579
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,099,202,678**	8,528,146,935

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to each of the fifteen (2011: fifteen) directors are as follows:

2012

Name of director	Fees RMB'000	Salaries and bonus RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share-based payment RMB'000 (note)	Total RMB'000
Mr. An Cong Hui	8	–	–	–	8	2,669	2,677
Mr. Ang Siu Lun, Lawrence	–	1,827	–	11	1,838	3,262	5,100
Mr. Gui Sheng Yue	–	1,827	528	11	2,366	3,410	5,776
Mr. Fu Yu Wu	97	–	–	–	97	–	97
Mr. Lee Cheuk Yin, Dannis	97	–	–	–	97	297	394
Mr. Li Dong Hui, Daniel	8	–	–	–	8	2,837	2,845
Mr. Li Shu Fu	–	316	–	11	327	–	327
Mr. Liu Jin Liang	8	–	–	–	8	2,669	2,677
Mr. Song Lin	97	–	–	–	97	297	394
Mr. Wang Yang	97	–	–	–	97	–	97
Ms. Wei Mei	8	–	–	–	8	2,916	2,924
Mr. Yang Jian	8	–	–	–	8	3,559	3,567
Mr. Yeung Sau Hung, Alex	97	–	–	–	97	297	394
Mr. Yin Da Qing, Richard	8	–	–	–	8	3,262	3,270
Dr. Zhao Fuquan	8	–	–	–	8	3,262	3,270
	541	3,970	528	33	5,072	28,737	33,809

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

2011

Name of director	Fees RMB'000	Salaries and bonus RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share-based payment RMB'000 (note)	Total RMB'000
Mr. An Cong Hui	–	–	–	–	–	17	17
Mr. Ang Siu Lun, Lawrence	–	1,837	–	11	1,848	3,853	5,701
Mr. Gui Sheng Yue	–	1,634	261	11	1,906	4,028	5,934
Mr. Fu Yu Wu	1	–	–	–	1	–	1
Mr. Lee Cheuk Yin, Dannis	106	–	–	–	106	350	456
Mr. Li Dong Hui, Daniel	5	–	–	–	5	–	5
Mr. Li Shu Fu	–	343	–	11	354	–	354
Mr. Liu Jin Liang	9	–	–	–	9	3,153	3,162
Mr. Song Lin	106	–	–	–	106	350	456
Mr. Wang Yang	106	–	–	–	106	–	106
Ms. Wei Mei	8	–	–	–	8	1,005	1,013
Mr. Yang Jian	9	–	–	–	9	4,203	4,212
Mr. Yeung Sau Hung, Alex	106	–	–	–	106	350	456
Mr. Yin Da Qing, Richard	9	–	–	–	9	3,853	3,862
Dr. Zhao Fuquan	9	–	–	–	9	3,853	3,862
	474	3,814	261	33	4,582	25,015	29,597

No director waived any emoluments during the years ended 31 December 2012 and 2011.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 5(m) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the directors' report and in note 33 to the consolidated financial statements.

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in the disclosures in note 14(a) above. The aggregate of the emoluments in respect of the other two (2011: two) individuals are as follows:

	2012 RMB'000	2011 RMB'000
Basic salaries and allowances	**6,121**	6,453
Retirement benefits scheme contributions	**302**	252
Share-based payment expense	**3,262**	3,853
	9,685	10,558

The emoluments of the two (2011: two) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
HK$4,500,001 – HK$5,000,000	**1**	1
HK$7,000,001 – HK$7,500,000	**1**	1
	2	2

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2011	576,103	77,871	2,453,489	3,277,776	25,313	262,997	6,673,549
Acquisition of subsidiaries	537,972	–	–	1,419	–	2,385	541,776
Exchange differences	(1,906)	(3,180)	–	(14,122)	–	(228)	(19,436)
Additions	1,137,082	1,182	32,506	237,812	–	99,243	1,507,825
Transfer	(1,502,115)	–	557,193	920,280	5,446	19,196	–
Disposals	–	–	(112,980)	(127,096)	–	(13,653)	(253,729)
At 31 December 2011	747,136	75,873	2,930,208	4,296,069	30,759	369,940	8,449,985
Exchange differences	66	843	–	4,205	–	61	5,175
Additions	702,854	25	72,250	60,513	–	83,897	919,539
Transfer	(555,533)	224	174,092	358,750	395	22,072	–
Disposals	(14,873)	–	(10,332)	(99,839)	–	(26,353)	(151,397)
At 31 December 2012	**879,650**	**76,965**	**3,166,218**	**4,619,698**	**31,154**	**449,617**	**9,223,302**
DEPRECIATION							
At 1 January 2011	–	5,822	224,384	864,928	4,861	106,060	1,206,055
Exchange differences	–	(351)	–	(3,173)	–	(120)	(3,644)
Charge for the year	–	3,796	79,244	367,815	2,123	49,564	502,542
Disposals	–	–	(3,681)	(38,806)	–	(8,306)	(50,793)
At 31 December 2011	–	9,267	299,947	1,190,764	6,984	147,198	1,654,160
Exchange differences	–	107	–	986	–	37	1,130
Charge for the year	–	3,807	110,850	424,026	2,071	71,156	611,910
Disposals	–	–	(123)	(35,482)	–	(16,035)	(51,640)
At 31 December 2012	**–**	**13,181**	**410,674**	**1,580,294**	**9,055**	**202,356**	**2,215,560**
NET BOOK VALUE							
At 31 December 2012	**879,650**	**63,784**	**2,755,544**	**3,039,404**	**22,099**	**247,261**	**7,007,742**
At 31 December 2011	747,136	66,606	2,630,261	3,105,305	23,775	222,742	6,795,825

The Group's freehold land is located outside Hong Kong. Certain of the Group's property, plant and equipment have been pledged to secure banking facilities granted to the Group (note 26(a)) and to the Company's ultimate holding company (note 35(c)).

16. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2011	1,609,685
Acquisition of subsidiaries	155,839
Exchange differences	(681)
Additions	747,018
Disposals	(18,147)
At 31 December 2011	2,493,714
Exchange differences	180
Additions	816,624
Disposals	(13,593)
At 31 December 2012	**3,296,925**
AMORTISATION	
At 1 January 2011	161,092
Exchange differences	(48)
Charge for the year	110,925
At 31 December 2011	271,969
Exchange differences	19
Charge for the year	210,440
At 31 December 2012	**482,428**
NET BOOK VALUE	
At 31 December 2012	**2,814,497**
At 31 December 2011	2,221,745

The amortisation charge for the year is included in administrative expenses in the consolidated income statement.

17. PREPAID LAND LEASE PAYMENTS

	2012 RMB'000	2011 RMB'000
The Group's prepaid land lease payments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**1,499,170**	1,517,157
Analysed for reporting purposes as:		
Current assets	**38,144**	37,582
Non-current assets	**1,461,026**	1,479,575
	1,499,170	1,517,157
Opening net carrying amount	**1,517,157**	1,401,483
Additions	**29,237**	27,559
Acquisition of subsidiaries	**–**	194,003
Disposals	**(9,478)**	(77,445)
Annual charges of prepaid land lease payments	**(37,746)**	(28,443)
Closing net carrying amount	**1,499,170**	1,517,157

Certain of the Group's prepaid land lease payments have been pledged to secure borrowings granted to the Group (notes 26(a) and 26(e)) and to the Company's ultimate holding company (note 35(c)).

18. GOODWILL

	2012 RMB'000	2011 RMB'000
Carrying amount		
Arising on acquisition of subsidiaries	**6,222**	6,222

Goodwill is allocated to the cash generating unit of manufacturing of complete knock down kits in Lanzhou. The recoverable amount of goodwill was determined based on value-in-use calculations, using an annual cash flow budget plan covering a five-year period with a long-term average growth rate of 8% (2011: 12%) per annum for the operation. A discount factor of 9% (2011: 6%) per annum was applied in the value in use model. The key assumptions include stable profit margins, which have been determined based on the expectations for market share after taking into consideration current economic environment and market forecast. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

19. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Share of net assets	**276,320**	164,874
Goodwill	**18,845**	18,845
Impairment loss recognised	**(100,000)**	(100,000)
	195,165	83,719

	2012 RMB'000	2011 RMB'000
Represented by:		
Cost of investments in associates		
– Listed overseas (note)	**–**	197,788
– Unlisted	**401,865**	90,918
	401,865	288,706
Share of post-acquisition losses and reserves	**(106,700)**	(104,987)
Impairment loss recognised	**(100,000)**	(100,000)
	195,165	83,719
Fair value of listed investments (note)	**–**	19,532

Note: The amount represents the Group's equity interest in Manganese Bronze Holdings plc ("MBH"), a limited liability company incorporated in the United Kingdom and the shares of which were listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. Based on the press release of MBH dated 30 October 2012, MBH has appointed administrators in 2012 and to the best knowledge of the directors of the Company, the shares of MBH were delisted from the AIM of the London Stock Exchange at 31 December 2012. Accordingly, the cost of investment of RMB197,788,000 was classified as an unlisted investment on the reporting date. The net carrying amount and its fair value were considered to be nil at 31 December 2012.

19. INTERESTS IN ASSOCIATES (Continued)

At 31 December 2012, the Group had interests in the following associates:

Name of company	Place of establishments and operations	Paid-up capital	Attributable equity interest held by the Group	Principal activities
Manganese Bronze Holdings plc	United Kingdom	£7,617,482	19.97%	UK-based speciality automotive and taxi services group
Mando (Ningbo) Automotive Parts Co., Ltd. 萬都（寧波）汽車零部件有限公司	PRC	US$68,000,000	35%	Manufacturing of automobile parts and components
Ningbo DIPO Traffic Facilities Co., Ltd. 寧波帝寶交通器材有限公司	PRC	US$11,100,000	18%	Not yet commenced business
Hangzhou Xuan You Network Technology Limited 杭州軒優網路技術有限公司	PRC	RMB1,000,000	29.5%	Provision of webpage design and related technology support services
Closed Joint Stock Company BELGEE	Republic of Belarus	US$27,083,333	32.5%	Production, marketing and sales of automobiles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. 佛吉亞排氣控制技術(寧波)有限公司	PRC	US$1,580,000	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	US$3,260,200	30%	Production, marketing and sales of automobiles

Other than MBH, all associates are indirectly held by the Company.

The Group retains significant influence over MBH, Ningbo DIPO Traffic Facilities Co., Ltd. and Faurecia Emissions Control Technologies (Ningbo) Co., Ltd. through the power to nominate representative on their respective boards.

19. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates are set out below (note):

	2012 RMB'000	2011 RMB'000
Total assets	**1,215,003**	1,179,196
Total liabilities	**(533,075)**	(632,487)
Net assets	**681,928**	546,709
Group's share of net assets of associates	**276,320**	164,874
Revenue	**650,672**	944,643
Loss for the year attributable to equity holders of the associates	**(10,271)**	(47,779)
Group's share of results of associates for the year	**(1,713)**	(7,199)

Note: The summarised financial information for the year ended 31 December 2012 did not include the financial information of MBH (being put under administration on 30 October 2012) as its financial information has not been available to the Group up to the date of this report, and therefore the summarised financial information for the year ended 31 December 2012 and 2011 are not entirely comparable.

20. INVENTORIES

	2012 RMB'000	2011 RMB'000
At cost:		
Raw materials	**788,952**	681,515
Work in progress	**457,601**	288,160
Finished goods	**575,734**	387,831
	1,822,287	1,357,506

21. TRADE AND OTHER RECEIVABLES

	Note	2012 RMB'000	2011 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		**1,723,511**	951,550
– Associates		**55,899**	–
– Related companies controlled by the substantial shareholder of the Company		**793,647**	766,887
	(a)	**2,573,057**	1,718,437
Notes receivable	(b)	**8,996,093**	8,832,267
		11,569,150	10,550,704
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**170,367**	106,201
– Related companies controlled by the substantial shareholder of the Company		**499,432**	499,927
		669,799	606,128
Deposits paid for acquisition of property, plant and equipment		**151,460**	237,203
VAT and other taxes receivables		**817,491**	614,733
Utility deposits and other receivables		**242,748**	191,524
		1,881,498	1,649,588
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	**23,832**	12,635
Amount due from ultimate holding company	(c)	**1,152**	1,764
		1,906,482	1,663,987
		13,475,632	12,214,691

21. 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:

	2012 RMB'000	2011 RMB'000
0 – 60 days	**598,292**	653,886
61 – 90 days	**100,895**	35,807
Over 90 days	**280,370**	155,219
	979,557	844,912

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:

	2012 RMB'000	2011 RMB'000
0 – 60 days	**288,305**	244,832
61 – 90 days	**298,974**	155,982
91 – 365 days	**858,006**	268,161
Over 1 year	**148,215**	204,550
	1,593,500	873,525

Of the total trade receivables balance at 31 December 2012, RMB402,036,000 (2011: RMB514,051,000) was due from the Group's largest customer. Other than the largest customer, there was one customer (2011: four) who represented more than 10% of the total balance of trade receivables.

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The aged analysis of the Group's trade receivables that were past due as at the reporting dates but not impaired is as follows:

	2012 **RMB'000**	2011 RMB'000
0 – 30 days past due	**148,397**	77,712
31 – 60 days past due	**38,809**	36,285
61 – 90 days past due	**18,524**	18,526
Over 90 days past due	**205,284**	96,503
	411,014	229,026

As at 31 December 2012, trade receivables of RMB2,162,043,000 (2011: RMB1,489,411,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables balance were debtors with a carrying amount of RMB411,014,000 (2011: RMB229,026,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances. No material impairment has been made to the trade receivables balance. Receivables that were past due but not impaired were mainly due from large corporations with which the Group has long trading history and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

(b) Notes receivable

All notes receivable are denominated in Renminbi and are notes received from third parties for settlement of trade receivable balances. As at 31 December 2012 and 2011, all notes receivable are guaranteed by established banks in the PRC and have maturities of six months or less from the reporting date.

The Group pledged RMB226,244,000 (2011: RMB457,370,000) notes receivable to banks to secure the Group's notes payable as at 31 December 2012.

(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.

Except for trade and other receivables amounting to RMB113,770,000 (2011: RMB83,558,000) which is expected to be recovered after 1 year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within 1 year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 RMB'000	2011 RMB'000
Listed investments		
– Equity securities listed outside Hong Kong	**12,676**	12,225

The fair value of the listed investments is based on the quoted market price available.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 RMB'000	2011 RMB'000
Listed investment outside Hong Kong		
– Debt security	**2,311**	2,286
Unlisted investment		
– Equity security	**1,350**	1,350
	3,661	3,636

The directors determined that the fair value of debt security is not materially different from the carrying amount as stated above. The unlisted equity security is stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

24. CONVERTIBLE BONDS

On 22 September 2009, the Company entered into an agreement ("Subscription Agreement") pursuant to which certain investors ("Investors") have agreed to subscribe for convertible bonds and warrants (collectively, the "Instruments") of the Company. The Subscription Agreement was subsequently supplemented by agreements in which the Company and Investors agreed the redenomination of the Instruments from Hong Kong dollar to Renminbi. The Company has issued a principal amount of RMB1,671 million (approximately HK$1,897 million) 3% coupon convertible bonds due 2014 ("CB 2014").

The CB 2014 are convertible into fully paid ordinary shares of HK$0.02 each of the Company at an initial conversion price of RMB1.67 (equivalent to HK$1.9) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2011, the conversion price of the CB 2014 was changed from RMB1.651 (equivalent to HK$1.8742) per share to RMB1.637 (equivalent to HK$1.8583) per share from 10 July 2012 in accordance with the provisions of CB 2014.

During the year ended 31 December 2012, a partial conversion of CB 2014 in the principal amount of RMB769,834,000 (approximately HK$873,878,000) were converted by the Investors into ordinary shares at a conversion price of HK$1.8583 per share (2011: nil).

Redemption

The bondholders of CB 2014 have the option to require the Company to redeem any outstanding bonds held by them at any time on the third anniversary of the issue of the bonds and on each date falling at intervals of 6 months thereafter until the maturity date of the bonds.

Unless previously converted or redeemed, the CB 2014 will be redeemed at 100% of their outstanding principal amount on 11 November 2014.

The CB 2014 contains a liability component and a conversion option which is included in the equity of the Company.

24. CONVERTIBLE BONDS (Continued)

Redemption (Continued)

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

	2012	2011
	RMB'000	RMB'000
Liability component		
Carrying amount brought forward	**1,533,889**	1,488,725
Accrued effective interest charges	**93,019**	93,829
Interest paid during the year	**(49,320)**	(48,665)
Conversion during the year	**(722,998)**	–
	854,590	1,533,889
Liability component is represented by:		
Convertible bonds	**848,649**	1,526,760
Accrued interest included in trade and other payables (note 25)	**5,941**	7,129
	854,590	1,533,889

The principal amount outstanding as at 31 December 2012 is RMB901,313,000 (2011: RMB1,671,147,000).

CB 2014 contains two components, liability and equity elements. The equity element is presented in equity as convertible bonds reserve. The effective interest rate of the liability component on initial recognition is 6.582% per annum. The redemption option of CB 2014 is included as a liability component and not separately recognised. The liability component is measured at amortised cost.

25. TRADE AND OTHER PAYABLES

	Note	2012 RMB'000	2011 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**6,792,984**	4,991,644
– An associate		**328,735**	101,020
– Related parties controlled by the substantial shareholder of the Company		**1,682,207**	1,288,583
	(a)	**8,803,926**	6,381,247
Notes payable	(b)	**1,010,912**	1,005,189
		9,814,838	7,386,436
Other payables			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		**2,558,109**	1,600,910
– Related parties controlled by the substantial shareholder of the Company		**209,127**	1,165,819
		2,767,236	2,766,729
Deferred income related to government grants which conditions have not been satisfied		**223,467**	34,190
Payables for acquisition of property, plant and equipment		**476,149**	718,615
Accrued staff salaries and benefits		**257,102**	240,338
VAT and other taxes payables		**540,115**	356,360
Other accrued charges		**578,723**	419,188
		4,842,792	4,535,420
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	**519,076**	185,062
Amount due to ultimate holding company	(d)	**–**	939
Loan from a non-controlling shareholder of a subsidiary of the Group	(e)	**6,688**	6,499
		5,368,556	4,727,920
		15,183,394	12,114,356

25. 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:

	2012 **RMB'000**	2011 RMB'000
0 – 60 days	**7,293,119**	5,120,325
61 – 90 days	**847,784**	700,064
Over 90 days	**663,023**	560,858
	8,803,926	6,381,247

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 31 December 2012 and 2011, all notes payable have maturities of less than 1 year from the reporting date.

(c) Amounts due to related parties

The amounts due to related parties controlled by the substantial shareholder of the Company are unsecured, interest-free and repayable on demand.

(d) Amount due to ultimate holding company

The amount due to ultimate holding company was unsecured, interest-free and was fully repaid during the year.

(e) Loan from a non-controlling shareholder of a subsidiary of the Group

Loan from a non-controlling shareholder of a subsidiary of the Group is unsecured, interest-bearing at 5% to 6.56% (2011: 2.78% to 6.56%) per annum and repayable within one year.

Except for other payables amounting to nil (2011: RMB36,765,000) which is expected to be payable after 1 year from the reporting date, all other trade and other payables are expected to be settled or recognised as income within 1 year.

26. BORROWINGS

	Note	2012 RMB'000	2011 RMB'000
Bank loans secured by the Group's assets	(a)	**218,923**	2,068,965
Bank loans guaranteed by the ultimate holding company	(b)	**995,000**	691,319
Other bank loans	(c)	**268,000**	268,000
Bank loans, unsecured	(d)	**392,010**	331,281
Total bank borrowings		**1,873,933**	3,359,565
Loans from government	(e)	**30,000**	15,000
		1,903,933	3,374,565

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

	2012 RMB'000	2011 RMB'000
On demand or within one year	**1,378,933**	2,531,639
In the second year	**525,000**	691,926
In the third to fifth year	**–**	151,000
	1,903,933	3,374,565
Less: amounts due within one year shown under current liabilities	**(1,378,933)**	(2,531,639)
	525,000	842,926

Notes:

(a) These bank loans, together with notes payable, are secured by the Group's property, plant and equipment of RMB671,664,000 (2011: RMB1,188,331,000), prepaid land lease payments of RMB439,595,000 (2011: RMB855,875,000), notes receivable of RMB226,244,000 (2011: RMB457,370,000) (note 21(b)) and bank deposits of RMB313,535,000 (2011: RMB353,532,000) and carry interest at 5.13% to 6.56% (2011: 5.32% to 6.98%) per annum.

(b) These bank loans are guaranteed by the Company's ultimate holding company and carry interest at 5.7% to 6.9% (2011: 3.37% to 6.9%) per annum.

26. BORROWINGS (Continued)

Notes: (Continued)

(c) Other bank loans are guaranteed by other third parties and carry interest at 5.6% to 5.81% (2011: 5.6% to 6.65%) per annum except for an amount of RMB68,000,000 (2011: nil) which is interest-free.

(d) Unsecured bank loans carry interest at 2.11% to 5.89% (2011: 2.26% to 6.65%) per annum.

(e) Loans from the government are used for financing the new plant construction and are interest-free, secured by the Group's prepaid land lease payments of RMB24,962,000 (2011: RMB24,962,000) and repayable on demand.

Of the above total borrowings, approximately RMB695,933,000 (2011: RMB1,435,500,000) and RMB1,110,000,000 (2011: RMB1,939,065,000) are fixed-rate borrowings and variable-rate borrowings respectively.

27. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the year:

	2012 RMB'000	2011 RMB'000
At 1 January	**92,194**	73,013
Exchange differences	**17**	7
(Credit)/Charge to the consolidated income statement (note 11)	**(19,735)**	19,174
At 31 December	**72,476**	92,194

Deferred tax assets

	Provisions RMB'000	**Others RMB'000**	**Total RMB'000**
At 1 January 2011	17,965	–	17,965
Exchange differences	(850)	–	(850)
Credit to the consolidated income statement	4,062	–	4,062
At 31 December 2011 and 1 January 2012	21,177	–	21,177
Exchange differences	232	–	232
(Charge)/Credit to the consolidated income statement	(2,846)	36,561	33,715
At 31 December 2012	**18,563**	**36,561**	**55,124**

27. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Undistributed profit of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2011	67,247	23,731	90,978
Exchange differences	–	(843)	(843)
Charge/(Credit) to the consolidated income statement	29,156	(5,920)	23,236
At 31 December 2011 and 1 January 2012	96,403	16,968	113,371
Exchange differences	–	249	249
Charge/(Credit) to the consolidated income statement	18,464	(4,484)	13,980
At 31 December 2012	**114,867**	**12,733**	**127,600**

The deferred tax assets have been offset against certain deferred tax liabilities on the consolidated statement of financial position as they are related to the same group entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

	2012 RMB'000	2011 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(36,561)**	–
Deferred tax liabilities recognised in the consolidated statement of financial position	**109,037**	92,194
Net deferred tax liabilities	**72,476**	92,194

Withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. The unrecognised temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB1,178 million (2011: RMB1,602 million).

At the reporting date, the Group has unused tax losses of approximately RMB185 million (2011: RMB168 million) available for offset against future profits that may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	Number of shares	Nominal value
		RMB'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 31 December 2011 and 31 December 2012	**12,000,000,000**	**246,720**
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 January 2011	7,440,755,450	139,279
Shares issued under share option scheme	16,705,000	294
At 31 December 2011 and 1 January 2012	7,457,460,450	139,573
Shares issued under share option scheme (note a)	31,705,000	514
Shares issued upon conversion of convertible bonds (note b)	470,256,584	7,618
Shares issued upon exercise of warrants (note c)	299,526,900	4,852
At 31 December 2012	**8,258,948,934**	**152,557**

Notes:

(a) During the year, options were exercised to subscribe for 31,705,000 ordinary shares in the Company at a consideration of approximately RMB24,193,000 of which approximately RMB514,000 was credited to share capital and the balance of RMB23,679,000 was credited to the share premium account. As a result of the exercise of options, RMB5,257,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in note 5(m).

(b) During the year, convertible bonds with principal amount of RMB769,834,000 (approximately HK$873,878,000) were converted by the Investors into 470,256,584 ordinary shares of the Company at a conversion price of HK$1.8583 per share, of which approximately RMB7,618,000 was credited to share capital and the balance of RMB715,380,000 was credited to the share premium account. As a result of the conversion of convertible bonds, RMB79,666,000 has been transferred from the convertible bonds and warrant reserve to the share premium account in accordance with the accounting policy set out in note 5(g).

(c) During the year, all the warrants of the Company were exercised by the investors and converted into 299,526,900 ordinary shares of the Company at an exercise price of RMB1.9816 per share, of which approximately RMB4,852,000 was credited to share capital and the balance of RMB588,690,000 was credited to the share premium account. As a result of the exercise of warrants, RMB59,927,000 has been transferred from the convertible bonds and warrant reserve to the share premium account in accordance with the accounting policy.

29. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory and staff welfare reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

In addition, the directors of the Company's subsidiaries in the PRC have the discretion to maintain a reserve for staff welfare and bonus utilisation in accordance with the articles of the PRC entities.

(c) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the subsidiaries of the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 5(f).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 5(m).

(f) Convertible bonds and warrant reserve

Convertible bonds and warrant reserve represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 5(g) and the unexercised equity element of warrants issued by the Company.

(g) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at year end and is dealt with in accordance with the accounting policy in note 5(g).

29. RESERVES (Continued)

(h) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

(i) Reserves of the Company

At 31 December 2012, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,892,356,000 (2011: RMB1,876,072,000).

The consolidated profit attributable to equity holders of the Company includes a loss of RMB286,786,000 (2011: RMB260,568,000) which has been dealt with in the financial statements of the Company.

30. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2012, the Group acquired certain property, plant and equipment and prepaid land lease payments, of which RMB242,466,000 (2011: RMB718,615,000) and nil (2011: RMB33,293,000) respectively have not yet been settled as at the reporting date.

31. COMMITMENTS

Capital expenditure commitments

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

	2012 RMB'000	2011 RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and machinery	**582,993**	865,210
– purchase of intangible assets	**4,500**	10,650
– purchase of prepaid land lease payments	**–**	24,208
– investment in associates	**71,616**	113,170
– investment in available-for-sale financial assets	**5,400**	5,400
– acquisition of additional interests in subsidiaries	**–**	215,386
	664,509	1,234,024

31. COMMITMENTS (Continued)

Operating lease commitments

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

	2012 **RMB'000**	2011 RMB'000
Office and factory premises		
Within one year	**8,429**	8,396
In the second to fifth year inclusive	**4,014**	3,496
After five years	**–**	263
	12,443	12,155
Other assets		
Within one year	**2,082**	6,483
In the second to fifth year inclusive	**1,613**	5,159
	3,695	11,642
	16,138	23,797

Leases are negotiated and rental are fixed for an average term of four (2011: four) years.

32. RETIREMENT BENEFITS SCHEME

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

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme which is matched by the employee. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK$25,000 (prior 1 June 2012: HK$20,000) per employee.

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

32. RETIREMENT BENEFITS SCHEME (Continued)

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 year ended 31 December 2012, the aggregate employer's contributions made by the Group and charged to the consolidated income statement amounted to RMB161,229,000 (2011: RMB143,545,000).

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). 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 to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 5 business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of options is HK$1.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

For those options granted prior to 1 January 2010, approximately 33% of the options will be automatically vested at the date of grant and the remaining 67% will be vested one year from the date of grant if the grantee remains as an employee of the Group. For those options granted after 1 January 2010, one-tenth of options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant.

The subscription price for the shares under the Scheme shall be a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

The following table discloses details of the Company's share options under the Scheme held by directors and senior employees and movements in such holdings:

2012

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Directors									
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000		
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	11,500,000		
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000		

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2012 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Directors									
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	3,000,000	–	–	–	3,000,000		
	23 March 2012 to 22 March 2022	4.07	–	5,000,000	–	–	5,000,000		
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	–	–	–	12,000,000		
Mr. Yin Da Qing, Richard	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Dr. Zhao Fuquan	8 May 2008 to 7 May 2013	0.92	11,000,000	–	(11,000,000)	–	–	11 April 2012	3.04
	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
Mr. Song Lin	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	–	7,000,000	–	–	7,000,000		
			91,500,000	12,000,000	(11,000,000)	–	92,500,000		

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2012 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Employees	18 September 2007 to 17 September 2012	1.06	5,000,000	–	(5,000,000)	–	–	13 March 2012 to 4 September 2012	2.73
	8 May 2008 to 7 May 2013	0.92	30,035,000	–	(15,705,000)	–	14,330,000	22 January 2012 to 12 December 2012	3.27
	18 January 2010 to 17 January 2020	4.07	397,700,000	–	–	(38,300,000)	359,400,000		
	21 April 2010 to 20 April 2020	4.07	15,900,000	–	–	(1,500,000)	14,400,000		
	23 March 2012 to 22 March 2022	4.07	–	12,000,000	–	–	12,000,000		
	25 June 2012 to 24 June 2022	4.07	–	9,000,000	–	–	9,000,000		
			540,135,000	33,000,000	(31,705,000)	(39,800,000)	501,630,000		

	HK$	HK$	HK$	HK$	HK$
Weighted average exercise price per share	3.80	4.07	0.94	4.07	3.98
Weighted average remaining contractual life of options outstanding at 31 December 2012					7 years
Number of options exercisable at 31 December 2012					156,554,000
					HK$
Weighted average exercise price per share of options exercisable at 31 December 2012					3.66

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2011

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Forfeited during the year	Transfer upon appointment	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Directors									
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	–	–	–	9,000,000	9,000,000		
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	11,500,000		
Mr. Liu Jin Liang	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000		
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	–	–	–	3,000,000	3,000,000		
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	12,000,000	–	–	–	12,000,000		
Mr. Yin Da Qing, Richard	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Dr. Zhao Fuquan	8 May 2008 to 7 May 2013	0.92	11,000,000	–	–	–	11,000,000		
	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000		
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
Mr. Song Lin	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	1,000,000	–	–	–	1,000,000		
			79,500,000	–	–	12,000,000	91,500,000		

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2011 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Forfeited during the year	Transfer upon appointment	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Employees	10 July 2006 to 16 May 2011	0.93	2,070,000	(1,990,000)	(80,000)	–	–	25 March 2011 to 4 May 2011	2.88
	18 September 2007 to 17 September 2012	1.06	7,500,000	(2,500,000)	–	–	5,000,000	19 May 2011 to 30 May 2011	3.10
	8 May 2008 to 7 May 2013	0.92	43,250,000	(12,215,000)	(1,000,000)	–	30,035,000	25 February 2011 to 14 October 2011	2.73
	18 January 2010 to 17 January 2020	4.07	431,350,000	–	(21,650,000)	(12,000,000)	397,700,000		
	21 April 2010 to 20 April 2020	4.07	15,900,000	–	–	–	15,900,000		
			579,570,000	(16,705,000)	(22,730,000)	–	540,135,000		

	Outstanding at 1 January	Exercised during the year	Forfeited during the year	Transfer upon appointment	Outstanding at 31 December
	HK$	HK$	HK$	HK$	HK$
Weighted average exercise price per share	3.72	0.94	3.92	4.07	3.80
Weighted average remaining contractual life of options outstanding at 31 December 2011					7.5 years
Number of options exercisable at 31 December 2011					144,855,000
					HK$
Weighted average exercise price per share of options exercisable at 31 December 2011					3.29

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

During the year ended 31 December 2012, 24,000,000 options and 9,000,000 options were granted on 23 March 2012 and 25 June 2012 with estimated total fair values of approximately RMB43 million and RMB11 million respectively. The closing price of the Company's shares immediately before the date on which the options granted were HK$2.99 and HK$2.74 for option lots of 24,000,000 options and 9,000,000 options respectively. The exercise price of the share options granted is HK$4.07 per share for both option lots of 24,000,000 options and 9,000,000 options. The share options for option lots of 24,000,000 options and 9,000,000 options are valid for a period of 10 years from 23 March 2012 to 22 March 2022 and 25 June 2012 to 24 June 2022 respectively and one-tenth of options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. No option was granted during the year ended 31 December 2011.

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

Grant date	**23 March 2012**	**25 June 2012**
Exercise price	HK$4.07	HK$4.07
Expected volatility	62.90%	54.93%
Expected life	10 years	10 years
Risk-free rate	1.476%	1.048%
Expected dividend yield	0.84%	1.03%

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 expense of RMB78,789,000 (2011: RMB137,150,000) for the year ended 31 December 2012 in relation to share options granted by the Company.

34. WARRANTS

During the year ended 31 December 2009, the Company issued 299,526,900 warrants to certain investors with a subscription price of HK$1 for all the warrants. The warrants are convertible into fully paid ordinary shares of HK$0.02 each of the Company at an initial exercise price of RMB2.0262 (equivalent to HK$2.3) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2011, the exercise price of the warrants were adjusted from RMB1.9986 (equivalent to HK$2.2687) per share to RMB1.9816 (equivalent to HK$2.2494) per share from 10 July 2012 in accordance with the provisions of the warrants. The warrants are exercisable in part or in whole at any time from the issue date of the warrants on 11 November 2009 to the fifth anniversary of the issuance of the warrants and are freely transferable, but in minimum tranches of 250,000 warrants. The warrants have been classified as equity instruments of the Company.

During the year, all of the warrants issued have been fully exercised (2011: nil).

35. CONNECTED AND RELATED PARTY TRANSACTIONS

Certain transactions fell under the definition of continuing connected transactions (as defined in the Listing Rules) are disclosed in Directors' Report.

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

(a) Transactions

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Related companies (note 1)			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of complete knock down kits and sedan tool kits	**9,130,417**	7,142,663
	Sales of automobile parts and components	**1,841**	2,975
	Claims income on defective materials purchased	**55,914**	53,020
	Purchase of complete buildup units	**9,560,628**	7,493,858
	Purchase of automobile parts and components	**1,367**	3,066
	Sub-contracting fee paid	**34,116**	22,719
	Claims paid on defective materials sold	**60,004**	56,002
	Acquisition of property, plant and equipment	**–**	4,312
	Acquisition of subsidiaries/additional interest in subsidiaries	**–**	762,085
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	**2,359,667**	2,581,436
	Sales of automobile parts and components	**16,849**	17,549
	Claims income on defective materials purchased	**17,509**	36,686
	Purchase of complete buildup units	**2,367,019**	2,499,488
	Claims paid on defective materials sold	**14,269**	36,514
	Purchase of automobile parts and components	**188**	795
	Acquisition of property, plant and equipment	**290**	304
	Acquisition of additional interest in subsidiaries	**–**	116,590

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Related companies (note 1)			
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	**7,431,654**	8,114,438
	Sales of automobile parts and components	**837**	1,139
	Claims income on defective materials purchased	**72,788**	95,904
	Purchase of complete buildup units	**7,769,416**	8,370,557
	Purchase of automobile parts and components	**3**	355
	Sub-contracting fee paid	**48,554**	79,552
	Claims paid on defective materials sold	**69,044**	92,533
	Acquisition of property, plant and equipment	**1,748**	94,244
	Research and development services rendered	**–**	9,270
	Acquisition of additional interest in subsidiaries	**215,386**	135,010
	Sale of property, plant and equipment	**–**	1,372
	Rental income	**922**	1,642
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	**415**	65
	Claims income on defective materials purchased	**43,822**	47,151
	Purchase of automobile parts and components	**5,780,786**	5,458,549
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	**4,607**	10,052
	Purchase of automobile parts and components	**280,068**	511,583
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of automobile parts and components	**11**	131
	Sales of complete buildup units	**58,747**	80,865
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	**30,274**	23,917
	Rental income	**551**	551
	Claims paid on defective materials sold	**486**	230
Hunan Geely Automobile Industries Company Limited (湖南吉利汽車工業有限公司)	Sub-contracting fee paid	**1,019**	–
	Acquisition of property, plant and equipment	**–**	1,823
Zhejiang Geely Automobile Industry School (浙江吉利汽車工業學校)	Rental income	**5,360**	6,264

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Related companies (note 1)			
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	**2,343,385**	4,172
	Sales of automobile parts and components	**4,180**	–
	Purchase of complete buildup units	**2,466,719**	2,979
	Acquisition of property, plant and equipment	**425**	–
Zhongjia Automobile Manufacturing (Chengdu) Company Limited (中嘉汽車製造（成都）有限公司)	Rental income	**715**	298
	Sale of property, plant and equipment	**–**	1,234
	Sales of prepaid land lease payments	**–**	80,898
Non-controlling shareholder of the subsidiary			
Kailun (QuFu) Property Investment Limited (凱倫（曲阜）置業有限公司)	Interest paid	**189**	285
Associate			
Mando (Ningbo) Automotive Parts Company Limited (萬都（寧波）汽車零部件有限公司)	Purchase of automobile parts and components	**488,213**	151,756
	Sale of property, plant and equipment	**–**	21,540
	Rental income	**480**	320
	Sales of automobile parts and components	**–**	2,530
	Sale of intangible assets	**4,652**	6,393
	Sub-contracting fee paid	**685**	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司)	Rental income	**460**	460
	Sales of complete knock down kits	**–**	927
	Acquisition of subsidiaries	**–**	45,734

Note 1: The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

Note 2: 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 unit 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.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	2012 **RMB'000**	2011 RMB'000
Short-term benefits	**33,315**	32,371
Retirement benefits scheme contribution	**2,078**	1,470
Share-based payments	**78,789**	137,150
	114,182	170,991

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

(c) Pledge of assets and financial guarantee contracts

As at 31 December 2012, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company amounting to RMB320,000,000 (2011: RMB493,600,000). Without taking account of any collateral held, this represented the Group's maximum exposure under the financial guarantee contracts at the reporting dates. During the year, the maximum guarantee provided by the Group was determined to be RMB600,000,000 (2011: RMB493,600,000). As at the reporting dates, the Company's ultimate holding company has provided 100% counter guarantees to the Group by way of cash in respect of the above guarantees provided by the Group to the respective banks.

Under the financial guarantee contracts, certain prepaid land lease payments and property, plant and equipment of the Group with carrying amounts of RMB84,039,000 (2011: RMB210,836,000) and RMB466,067,000 (2011: RMB131,635,000) respectively, have been pledged to the banks as at 31 December 2012.

The Group would only be liable to pay the banks if the banks are unable to recover the loans. No provision for the Group's obligation under the financial guarantee contracts have been made as it was not probable that the repayment of the bank borrowings by the Company's ultimate holding company would be in default. According to the terms of the bank loans, the earliest repayment date of the bank loans would be in 2013 and 2017 for an amount of RMB100,000,000 and RMB220,000,000 respectively (2011: in 2012 for an amount of RMB493,600,000).

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes borrowings and convertible bonds) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitors the fluctuations of the gearing ratio.

The gearing ratio at the reporting date was as follows:

	2012 **RMB'000**	2011 RMB'000
Debt (note (i))	**2,752,582**	4,901,325
Equity (note (ii))	**12,886,657**	9,582,200
Debt to equity ratio	**21%**	51%

Notes:

(i) Debt comprising borrowings and convertible bonds as detailed in notes 26 and 24 to the consolidated financial statements respectively.

(ii) Equity includes all capital and reserves attributable to equity holders of the Company.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to market risk (including interest rate risk and currency risk), credit and liquidity risks arises in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, excluding financial assets at fair value through profit or loss, in the statement of financial position after deducting any impairment allowance (also disclosed under the below liquidity table). In addition, as set out in note 35(c) to the consolidated financial statements, certain of the Group's assets have been pledged and the Group also provided guarantee to secure banking facilities granted to the Company's ultimate holding company. The directors consider the Company's ultimate holding company has sufficient financial strength and the probability of default is low. The Group does not provide any other guarantees which would expose the Group to credit risk.

Bank balances and cash of the Group have been deposited into established banks in countries that the Group operates.

Equity and debt price risk

The Group is exposed to the equity price changes arising from the equity and debt securities classified as available-for-sale financial assets.

The Group's listed investment is listed overseas. Decisions to buy or sell securities are based on the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least twice a year against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	0 to 60 days RMB'000	61 to 90 days RMB'000	91 days to 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2012								
Loans and receivables								
Trade receivables	0.16	1,641,242	658,165	165,999	113,770	–	2,579,176	2,573,057
Notes receivable	–	1,839,635	575,926	6,580,532	–	–	8,996,093	8,996,093
Other receivables	–	166,604	–	38,022	–	–	204,626	204,626
Pledged bank deposits	2.63	83,629	202,643	35,415	–	–	321,687	313,535
Bank balances and cash	0.42	4,206,147	–	–	–	–	4,206,147	4,188,862
Financial assets at fair value through profit or loss	–	12,676	–	–	–	–	12,676	12,676
Available-for-sale financial assets	2.15	12	6	58	77	3,687	3,840	3,661
		7,949,945	1,436,740	6,820,026	113,847	3,687	16,324,245	16,292,510
Financial liabilities at amortised cost								
Trade payables	–	2,887,968	3,924,266	1,991,692	–	–	8,803,926	8,803,926
Notes payable	–	505,558	259,470	245,884	–	–	1,010,912	1,010,912
Other payables	–	1,567,606	14,674	240,854	–	–	1,823,134	1,823,134
Loan from a non-controlling shareholder of a subsidiary of the Group	5.38	747	6,016	–	–	–	6,763	6,688
Borrowings	5.72	196,734	70,692	1,135,388	599,016	–	2,001,830	1,903,933
Convertible bonds	6.58	4,110	2,055	18,839	855,072	–	880,076	848,649
		5,162,723	4,277,173	3,632,657	1,454,088	–	14,526,641	14,397,242

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	0 to 60 days RMB'000	61 to 90 days RMB'000	91 days to 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2011								
Loans and receivables								
Trade receivables	0.27	1,261,401	133,813	244,573	84,744	–	1,724,531	1,718,437
Notes receivable	–	1,003,615	1,184,792	6,643,860	–	–	8,832,267	8,832,267
Other receivables	–	101,593	4,146	11,348	2,185	–	119,272	119,272
Pledged bank deposits	3.14	115,946	21,271	227,275	–	–	364,492	353,532
Bank balances and cash	0.58	3,047,722	–	–	–	–	3,047,722	3,030,391
Financial assets at fair value through profit or loss	–	12,225	–	–	–	–	12,225	12,225
Available-for-sale financial assets	1.07	7	3	29	39	3,674	3,752	3,636
		5,542,509	1,344,025	7,127,085	86,968	3,674	14,104,261	14,069,760
Financial liabilities at amortised cost								
Trade payables	–	1,859,996	528,540	3,992,711	–	–	6,381,247	6,381,247
Notes payable	–	277,103	66,829	661,257	–	–	1,005,189	1,005,189
Other payables	–	426,647	25,609	95,797	36,765	–	584,818	584,818
Loan from a non-controlling shareholder of a subsidiary of the Group	6.06	564	32	6,263	–	–	6,859	6,499
Borrowings	6.10	308,883	393,561	1,949,023	619,011	269,307	3,539,785	3,374,565
Convertible bonds	6.58	8,232	4,116	37,732	50,081	1,762,665	1,862,826	1,526,760
		2,881,425	1,018,687	6,742,783	705,857	2,031,972	13,380,724	12,879,078

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to convertible bonds (note 24) and fixed-rate bank borrowings (note 26). The Group does not apply any derivatives to hedge the fair value interest rate risk.

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (note 26).

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB6 million (2011: RMB15 million).

Currency risk

Majority of the Group's sales and purchases are conducted with currencies that are denominated in a currency which is also the functional currency of the operations to which they relate.

The following table details the Group's exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2012			2011		
	Hong Kong dollars RMB'000	**United States dollars RMB'000**	**British pounds RMB'000**	Hong Kong dollars RMB'000	United States dollars RMB'000	British pounds RMB'000
Bank balances and cash	**321,274**	**798,193**	**90**	29,034	80,221	93
Trade and other receivables	**504**	**1,562,789**	**–**	1,627	709,501	–
Borrowings	**(62,370)**	**(62,775)**	**–**	(127,600)	(25,319)	–
Trade and other payables	**–**	**(30,988)**	**–**	–	(36,132)	(691)

As the Group is mainly exposed to the effects of fluctuation in United States dollars/Hong Kong dollars, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the reporting date for presentation purposes.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency risk (Continued)

	Impact of United States dollars		Impact of Hong Kong dollars	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Profit after taxation/Accumulated profits	**85,021**	27,310	**12,969**	(4,848)

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the carrying amounts of the Group's current financial assets, including trade and other receivables and bank balances and cash, and the Group's current financial liabilities, including bank borrowings, trade and other payables approximate their fair values due to their short maturities;
- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities (including convertible bonds) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

	2012		2011	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds	**848,649**	**833,492**	1,526,760	1,542,567

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value of financial instruments (Continued)

The following table presents the carrying value of the Group's financial instruments measured at fair value at the reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
Level 2:	fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data

2012	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Financial assets at fair value through profit or loss	**12,676**	**–**	**–**	**12,676**
Available-for-sale financial assets	**–**	**2,311**	**–**	**2,311**
	12,676	**2,311**	**–**	**14,987**

2011	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	12,225	–	–	12,225
Available-for-sale financial assets	–	2,286	–	2,286
	12,225	2,286	–	14,511

There was no transfer between instruments in Level 1 and Level 2 for the year ended 31 December 2012 and 2011.

38. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 21 January 2011, the Company entered into agreements with Zhejiang Geely Holding Group Company Limited and its subsidiary to acquire 100% interests in Ningbo Vision Automobile Parts and Components Company Limited ("Ningbo Vision") and Shandong Geely Gearbox Company Limited ("Shandong Geely") for cash considerations of RMB437.3 million and RMB20 million respectively. There was a further capital injection of RMB80 million for Shandong Geely immediately after the completion of its acquisition. The acquisition of Ningbo Vision and Shandong Geely was completed during the year ended 31 December 2011. Details of the acquisition have been set out in the Company's announcement dated 21 January 2011.

Ningbo Vision and Shandong Geely have not engaged in any operating activities, and did not have sufficient workforce and all necessary plant and equipment ready for production at the acquisition dates and the acquisition was accounted for as purchases of assets and liabilities of which no goodwill was recognised.

The assets and liabilities acquired in the acquisition of Ningbo Vision and Shandong Geely at the acquisition dates are as follows:

	Carrying amount RMB'000
The assets and liabilities acquired:	
Property, plant and equipment	541,776
Intangible assets	155,839
Prepaid land lease payments	194,003
Trade and other receivables	41,038
Inventories	7,732
Cash and cash equivalents	59,319
Trade and other payables	(542,365)
	457,342
Total consideration satisfied by:	
Cash	457,342
Net cash outflow arising on acquisition:	
Cash consideration paid	(457,342)
Bank balances and cash acquired	59,319
	(398,023)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**63**	124
Investments in subsidiaries	40	**293,697**	293,697
Investment in an associate		**–**	97,788
		293,760	391,609
Current assets			
Other receivables		**1,440**	1,622
Amounts due from subsidiaries	(a)	**3,964,652**	3,861,827
Bank balances and cash		**375,292**	76,861
		4,341,384	3,940,310
Current liabilities			
Other payables		**31,748**	11,164
Borrowings		**125,145**	127,600
		156,893	138,764
Net current assets		**4,184,491**	3,801,546
Total assets less current liabilities		**4,478,251**	4,193,155
Capital and reserves			
Share capital	28	**152,557**	139,573
Reserves	(b)	**3,477,045**	2,526,822
Total equity		**3,629,602**	2,666,395
Non-current liabilities			
Convertible bonds	24	**848,649**	1,526,760
		4,478,251	4,193,155

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) The movement of reserves represents:

	2012 RMB'000	2011 RMB'000
At 1 January	**2,526,822**	2,807,100
Shares issued under share option scheme	**23,679**	13,556
Shares issued upon conversion of convertible bonds (note 28)	**715,380**	–
Shares issued upon exercise of warrants (note 28)	**588,690**	–
Recognition of share-based payments	**78,789**	137,150
Loss for the year	**(286,786)**	(260,568)
Dividends paid	**(169,529)**	(170,416)
At 31 December	**3,477,045**	2,526,822

40. SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2012 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held Directly	Percentage of equity interests held Indirectly	Principal activities
Centurion Industries Limited	British Virgin Islands	USD1	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	USD1	100%	–	Investment holding
吉利國際貿易有限公司 Geely International Limited	Hong Kong	HK$2	100%	–	Inactive
浙江福林國潤汽車零部件有限公司 Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd.*	PRC	USD15,959,200	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC

40. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held Directly	Indirectly	Principal activities
Linkstate Overseas Limited	British Virgin Islands	USD1	100%	–	Inactive
Luckview Group Limited	British Virgin Islands	USD1	100%	–	Investment holding
帝福投資有限公司 Luck Empire Investment Limited	Hong Kong	HK$1	–	100%	Investment holding
DSI Holdings Pty Limited	Australia	A$54,563,403	100%	–	Design, development and manufacturing of automatic transmissions
上海英倫帝華汽車部件有限公司 Shanghai LTI Automobile Components Company Limited^	PRC	USD54,297,150	–	51%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
浙江金剛汽車零部件研究開發有限公司 Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*	PRC	USD14,900,000	–	100%	Research and development of automobile parts and components in the PRC
浙江吉利汽車銷售有限公司 Zhejiang Geely Automobile Sales Company Limited#	PRC	RMB15,000,000	–	100%	Sales of automobile parts and components in the PRC
浙江吉潤汽車有限公司(「浙江吉潤」) Zhejiang Jirun Automobile Company Limited^ ("Zhejiang Jirun")	PRC	USD330,715,081	–	99% (note 1)	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
上海華普國潤汽車有限公司 (「上海華普國潤」) Shanghai Maple Guorun Automobile Company Limited^ ("Shanghai Maple Guorun")	PRC	USD121,363,600	–	99% (note 1)	Research, development, production, marketing and sales of sedans and related automobile components in the PRC

40. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held Directly	Indirectly	Principal activities
浙江吉利控股集團汽車銷售有限公司 Zhejiang Geely Holding Group Automobile Sales Company Limited#^	PRC	RMB60,559,006	–	100%	Marketing and sales of sedans in the PRC
上海吉利美嘉峰國際貿易股份有限公司 Geely International Corporation#	PRC	RMB100,000,000	–	100%	Export of sedans outside the PRC
浙江吉利汽車研究院有限公司 Zhejiang Geely Automobile Research Institute Limited#	PRC	RMB30,000,000	–	100%	Research and development of sedans and related automobile components in the PRC
寧波吉利發動機研究所有限公司 Ningbo Geely Engine Research Institute Limited#	PRC	RMB10,000,000	–	100%	Research and development of automobile engines in the PRC
上海華普汽車銷售有限公司 Shanghai Maple Automobile Sales Company Limited#	PRC	RMB20,000,000	–	100%	Marketing and sales of sedans in the PRC
浙江陸虎汽車有限公司(「浙江陸虎」) Zhejiang Ruhoo Automobile Company Limited^ ("Zhejiang Ruhoo")	PRC	RMB418,677,000	–	99% (note 1)	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
浙江金剛汽車有限公司(「浙江金剛」) Zhejiang Kingkong Automobile Company Limited^ ("Zhejiang Kingkong")	PRC	RMB413,000,000	–	99% (note 1)	Research, development, production and sales of sedans and related automobile components in the PRC
浙江吉利變速器有限公司 Zhejiang Geely Gearbox Limited#	PRC	RMB10,000,000	–	100% (note 2)	Production of automobile components in the PRC
湖南吉利汽車部件有限公司(「湖南吉利」) Hunan Geely Automobile Components Company Limited^ ("Hunan Geely")	PRC	USD88,500,000	–	99% (note 1)	Research, development, production, marketing and sales of sedans and related automobile components in the PRC

40. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held Directly	Percentage of equity interests held Indirectly	Principal activities
上海華普汽車模具製造有限公司 Shanghai Maple Automobile Moulds Manufacturing Company Limited#	PRC	RMB40,000,000	–	100%	Production of moulds for automobile parts and components in the PRC
桂林吉星電子等平衡動力有限公司 Guilin Geely Stars Oil Electric Hybrid Engine Company Limited#	PRC	RMB80,000,000	–	100% (note 3)	Research and development of electric hybrid engines in the PRC
浙江遠景汽配有限公司 Zhejiang Vision Auto-parts Fittings Company Limited#	PRC	RMB50,000,000	–	100%	Procurement of automobile parts and components in the PRC
浙江手拉手汽車服務有限公司 Zhejiang Shou La Shou Automobile Services Company Limited#@	PRC	RMB5,000,000	–	65%	Sales of sedans and provision of automobile services
重慶DSI變速箱制造有限公司 Chongqing DSI Gearbox Manufacturing Company Limited# ^	PRC	RMB80,000,000	–	100%	Not yet commenced business
蘭州吉利汽車工業有限公司 Lanzhou Geely Automobile Industries Company Limited#	PRC	RMB420,000,000	–	100%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
成都高原汽車工業有限公司 Chengdu Gaoyuan Automobile Industries Company Limited#	PRC	RMB50,000,000	–	100%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
湖南羅佑發動機部件有限公司 Hunan Luoyou Engine Components Company Limited#	PRC	RMB150,000,000	–	100%	Production of automobile components in the PRC

40. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held Directly	Indirectly	Principal activities
曲阜凱倫汽車零部件製造有限公司 Qufu Kailun Automobile Parts and Components Manufacturing Company Limited#@	PRC	RMB20,000,000	–	50%	Research, development and production of automobile parts and components in the PRC
湖南吉盛國際動力傳動系統有限公司 Hunan Jisheng International Drivetrain System Company Limited# ^	PRC	RMB170,000,000	–	100%	Production of automobile components in the PRC
濟南吉利汽車有限公司 Jinan Geely Automobile Company Limited#	PRC	RMB360,000,000	–	100%	Research, development, production, marketing and sales of sedans and sales of related automobile components in the PRC
濟南吉利汽車零部件有限公司 Jinan Geely Automobile Parts and Components Company Limited#	PRC	RMB10,000,000	–	100%	Research, development, production, marketing and sales of related automobile components in the PRC
寧波遠景汽車零部件有限公司 Ningbo Vision Automobile Parts and Components Company Limited#	PRC	RMB96,000,000	–	100%	Research, development, production, marketing and sales of sedans and sales of related automobile components in the PRC
山東吉利變速器有限公司 Shandong Geely Gearbox Company Limited#	PRC	RMB100,000,000	–	100%	Not yet commenced business
杭州軒宇人力資源有限公司 Hangzhou Xuan Yu Human Resources Company Limited#	PRC	RMB500,000	–	100%	Not yet commenced business
Limited Liability Company "Geely-Motors"	Russia	RUB10,000	–	100%	Marketing and sales of sedans in Russia

40. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid shares/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
Fewin S.A.	Uruguay	USD6,092,258	–	100%	Not yet commenced business
浙江吉利羅佑發動機有限公司 Zhejiang Geely Luoyou Engine Company Limited#	PRC	RMB500,000,000	–	100%	Production of automobile engines in the PRC
杭州哈曼汽車服務有限公司 Hangzhou Ha Man Automobile Services Company Limited#	PRC	RMB500,000	–	51%	Not yet commenced business
寧波吉利遠景汽配有限公司 Ningbo Geely Vision Auto-parts Fittings Company Limited#	PRC	RMB10,000,000	–	100%	Not yet commenced business
Geely Ukraine, LLC	Ukraine	UAH61,000	–	100%	Not yet commenced business

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

@ The Company has control over this subsidiary through contractual agreement with the non-controlling shareholder.

\# Translation of registered name in Chinese for identification purpose.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

40. SUBSIDIARIES (Continued)

Notes:

1. In 2011, the Group entered into agreements with Zhejiang Geely Holding Group Company Limited and its subsidiaries to acquire additional 8% interest in Shanghai Maple Guorun, Hunan Geely, Zhejiang Jirun, Zhejiang Kingkong and Zhejiang Ruhoo increasing each of its equity interest from 91% to 99% at a total cash consideration of RMB116,591,000, RMB135,010,000, RMB350,477,000, RMB162,805,000 and RMB52,581,000 respectively. Details of the acquisition have been set out in the Company's announcement dated 25 November 2011.

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

2. During the year, the Group has completed the acquisition of an additional 10% equity interest in Zhejiang Geely Gearbox Limited from a third party, increasing its equity interest from 90% to 100% at a cash consideration of RMB5,000,000.

3. During the year, the Group has completed the acquisition of an additional 30% equity interest in Guilin Geely Stars Oil Electric Hybrid Engine Company Limited from a third party, increasing its equity interest from 70% to 100% at a cash consideration of RMB24,000,000.

41. EVENTS AFTER THE REPORTING DATE

Formation of a new joint venture

On 1 February 2013, a subsidiary of the Company entered into a Framework Agreement with Zhejiang Kandi Vehicles Co., Ltd. ("Kandi Vehicles"), a third party, pursuant to which the parties agreed to establish a new joint venture with registered capital of RMB1,000 million (the "JV Company") to engage in the investment, research and development, production, marketing and sales of electric vehicles in the PRC. Details of the JV Company have been set out in the Company's announcement dated 1 February 2013.

Pursuant to the terms of the Framework Agreement, the JV Company will acquire certain assets of the Group by way of acquisition of a subsidiary. The Group is currently finalising the principal terms with Kandi Vehicles and is not yet in a position to state whether the disposal would have any material impact on the Group's financial statements.

Disposal of a subsidiary

On 5 February 2013, a subsidiary of the Company entered into an agreement with Shanghai Maple Automobile Company Limited ("Shanghai Maple"), a related company controlled by the substantial shareholder of the Company, pursuant to which the Group conditionally agrees to dispose of its 51% interest in the registered capital of Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), a non-wholly owned subsidiary of the Company, to Shanghai Maple at a consideration of RMB173,350,000. The disposal is expected to be completed in 2013 and is not expected to have any material effect on the results of the Group. Details of the proposed disposal have been set out in the Company's announcement dated 5 February 2013.

DIRECTORY

Executive Directors:

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

Non-executive Directors:

Mr. Yin Da Qing, Richard
(Resigned on 9 January 2013)
Mr. Carl Peter Edmund Moriz Forster
(Appointed on 9 January 2013)

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Song Lin
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang
(Re-designated on 17 May 2012)

Audit Committee:

Mr. Lee Cheuk Yin, Dannis
(Committee's Chairman)
Mr. Song Lin
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. Wang Yang
(Appointed on 17 May 2012)

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
(Appointed on 17 May 2012)

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
(Appointed on 17 May 2012)

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
CITIC Bank International Limited
Bank of Communications
Company Limited
Bank of America NA

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Investor & Media Relations:

Prime International
Consultants Limited

Design & Production:

Capital Financial Press Limited

Listing information:

The Stock Exchange of
Hong Kong Limited
Stock Code: 0175

Company's Website:

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GEELY

吉利汽車控股有限公司

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:: Concept, Design & Production : Capital Financial Press Limited :: www.capitalfp.com ::

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