GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0175)

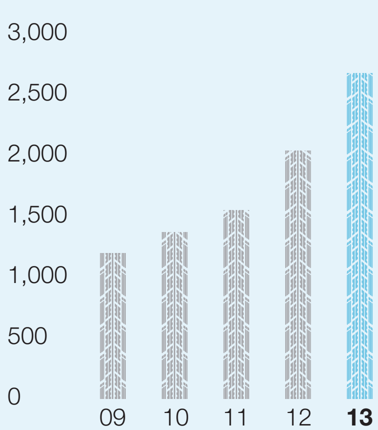
QUALITY GEELY

Annual Report 2013

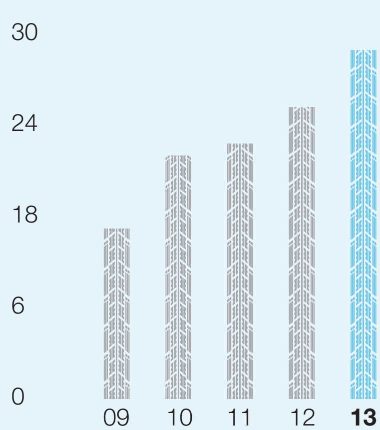
CONTENTS

KEY FIGURES

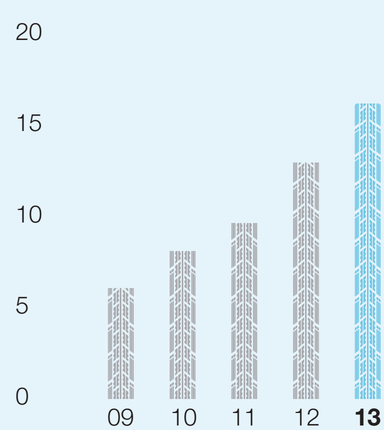
Profit attributable to equity holders of the Company
(RMB Million)



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:

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**28,707,571**	24,627,913	20,964,931	20,099,388	14,069,225
Profit before taxation	**3,304,182**	2,529,077	2,183,208	1,900,323	1,550,460
Taxation	**(623,934)**	(479,291)	(467,359)	(350,612)	(231,432)
Profit for the year	**2,680,248**	2,049,786	1,715,849	1,549,711	1,319,028
Attributable to:					
Equity holders of the Company	**2,663,136**	2,039,969	1,543,437	1,368,437	1,182,740
Non-controlling interests	**17,112**	9,817	172,412	181,274	136,288
	2,680,248	2,049,786	1,715,849	1,549,711	1,319,028
Assets and liabilities					
Total assets	**33,599,308**	31,379,826	27,596,758	23,974,343	18,802,189
Total liabilities	**(17,369,617)**	(18,175,802)	(17,446,643)	(14,896,666)	(11,705,669)
Total equity	**16,229,691**	13,204,024	10,150,115	9,077,677	7,096,520
Represented by:					
Equity attributable to equity holders of the Company	**16,068,024**	12,886,657	9,582,200	8,021,882	6,375,613
Non-controlling interests	**161,667**	317,367	567,915	1,055,795	720,907
	16,229,691	13,204,024	10,150,115	9,077,677	7,096,520

	Formula	2013	2012	Change in Percentage Increase/ (Decrease)
For the year				
Turnover (RMB'000)		**28,707,571**	24,627,913	17
Profit attributable to equity holders of the Company (RMB'000)	(1)	**2,663,136**	2,039,969	31
Per share				
Basic earnings per share (RMB cents)		**31.74**	27.05	17
Diluted earnings per share (RMB cents)		**30.42**	26.34	15
Dividend per share (HK cents)		**4.6**	3.9	18
Net asset value (NAV) per share (RMB)	(2) / (5)	**1.83**	1.56	17
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	**16,068,024**	12,886,657	25
Total assets (RMB'000)	(3)	**33,599,308**	31,379,826	7
Borrowings (RMB'000)	(4)	**965,565**	2,752,582	(65)
Number of shares in issue	(5)	**8,801,446,540**	8,258,948,934	7
Share price during the year				
– High (HK$)		**4.75**	3.88	22
– Low (HK$)		**2.84**	1.70	67
Financial ratios				
Gearing ratio	(4) / (2)	**6.0%**	21.4%	(72)
= (Borrowings / Equity attributable to equity holders of the Company)				
Return on total assets	(1) / (3)	**7.9%**	6.5%	22
Return on equity attributable to equity holders of the Company	(1) / (2)	**16.6%**	15.8%	5

EDITORIAL

Our profit attributable to equity holders for 2013 was RMB2.66 billion, representing an increase of 31% over 2012, mainly driven by sales volume growth and improved product mix.

BUSINESS OVERVIEW

China's passenger vehicle market was stronger than expected in 2013, mainly led by better demand for sedans and Sport Utility Vehicles ("SUVs"). Although the sales of indigenous brand vehicles had recovered since early 2012, its growth continued to lag behind the foreign joint venture brands. The sales volume of indigenous brand vehicles grew 11.4% in 2013, compared with the 15.7% growth of the overall China market.

Despite the implementation of a series of major structural changes in the Group's product development and sales and marketing functions in mid-2013 and the lack of new products in 2013, the Group managed to benefit from the recovery of the demand for passenger vehicles in China and achieved 13% growth in domestic sales volume in 2013. The performance of the Group's export sales, however, was below our expectations, due to political instability in some of our major export markets and the weakening of emerging market currencies against both US$ and RMB. Despite this, the Group's sales performance in most of our export markets had been better than our competitors, enabling us to achieve higher market shares in most of our major export markets in 2013, reflecting the improved competitiveness of our products. The Group's exports sales volume achieved a respectful 17% growth in 2013, boosting our total sales volume growth to 14% in 2013, compared to our original target of 16% growth and the 15% overall sales volume growth we achieved in 2012.

The Group sold a total of 549,468 units of vehicles in 2013, up 14% from 2012, of which 22% or 118,871 units were sold abroad, up 17% from last year. In the Chinese market, the Group's sales volume in 2013 was up 13% to 430,597 units helped by the stronger demand for passenger vehicles in China. "EC7" and our SUV models like "GX7" and "SX7" remained the major contributors to the Group's sales volume growth in 2013.

FINANCIAL REVIEW

Although the Group's sales volume growth in 2013 was barely in line with our original target, our financial performance in 2013 beat our expectations with total revenue increased by 17% to RMB28.7 billion for the year ended 31 December 2013, helped by the continued improvement in our product mix and therefore better margins. This was despite faster growth in administrative expenses due to additional expenses incurred by corporate restructuring and higher research and development ("R&D") investments. The Group's product mix continued to improve in 2013. Our flagship mid-size sedan model "EC7" remained the Group's most popular model in terms of sales volume, accounting for 35% of the Group's total sales volume in 2013. Total net profit of the Group was up 31% from RMB2.05 billion in 2012 to RMB2.68 billion in 2013. After accounting for non-controlling interests, net profit attributable to shareholders of the Company was up 31% from RMB2.04 billion in 2012 to RMB2.66 billion in 2013. Diluted earnings per share was up 15% to RMB30.42 cents. The strong operational cash flow during the year and the conversion of all the outstanding convertible bonds in October 2013 further strengthened our financial position with net cash increasing 164% to RMB4.6 billion at the end of 2013.

DIVIDEND

The Board recommends the payment of a final dividend of HK$4.6 cents per share for 2013 (2012: HK$3.9 cents).

PROSPECTS

Despite increasing challenges and fierce competition in both our domestic and export markets, we have significantly progressed the restructuring of our product development and sales and marketing functions, aiming at further enhancing the quality of our products and services and improving the efficiency of our sales and distribution capabilities. I have no doubt that the successful execution of these changes should bring about a much stronger Geely in the near future.

The technological cooperation between the Group and Volvo Car Corporation ("Volvo Car"), which is majority owned by the Group's parent Zhejiang Geely Holding Group Limited ("Geely Holding"), has achieved significant progress during the year, enabling the Group to further optimizing resource utilization, and speeding up the implementation of platform strategy, standardization, and shared modularization in product development, and thereby giving the Group a strong and unique advantage over its competitors. I am confident that the synergy benefits for both companies could become increasingly obvious in the coming years, thus boding well for the Group's competitive strength in the areas of technology, quality and brands.

Although consumers in China have become increasingly demanding, thus putting tremendous pressure on automobile manufacturers to raise quality and improve customer satisfaction, there has been an interesting change in their mentality and consumption behavior recently, signaling a shift from excessive and brand-driven consumption to low-key and rational consumption. The Chinese car buyers are now putting more focus on the contents, performance, specifications, environmental impact, energy efficiencies and safety of the vehicles they plan to purchase, I believe the trend could offer huge opportunities for the Group's products in the future.

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 2013 and to our shareholders for their support.

Li Shu Fu
Chairman
19 March 2014

MANAGEMENT REPORT

Overall Performance

The Group delivered a solid performance in 2013, as we maintained our focus on improving product quality and services and lifting customer satisfaction. The Group's performance in 2013 was, however, influenced by a material slowdown in export sales growth and increased competition in the domestic market. Despite this, the Group's overall performance during the year was in line with expectations, helped by a stronger than expected passenger vehicle market in China and the continued improvement in the Group's product mix. As a result, the Group's sales volume in the China market was up 13%, compared with 16% growth in China's passenger vehicle market in 2013. Exports sales volume growth was slower than expected at 17%, but compared favourably to the 10% decline registered by the overall passenger vehicle exports from China. Overall, the Group sold a total of 549,468 units of vehicles in 2013, up 14% from 2012. Total revenues grew by 17% to RMB28.7 billion in 2013, reflecting stable product prices and continued improvement in product mix during the period. As a result, the Group's profit attributable to the equity holders grew faster at 31% to RMB2.66 billion in 2013. During the year, government grants and subsidies fell 8% to RMB800 million. The government grants and subsidies mainly related to cash subsidies in respect of operating and research and development activities from the governments.

Full Conversion of Convertible Bonds

On 7 October 2013, the Company received conversion notices from GS Capital Partners VI Fund L.P. ("GS Capital") for the full conversion of the 3% coupon convertible bonds due in 2014 or "CB 2014" issued by the Company in 2009 in the principal amount of RMB901.3 million at a conversion price of HK$1.8408 per share, resulting in the issue of 528.2 million new shares and the repayment of HK$121.1 million cash to GS Capital.

Zhejiang Kandi Electric Vehicles Co., Ltd. – Electric Vehicle Joint Venture with Kandi Technologies

In April 2013, The Group's 99%-owned subsidiary Shanghai Maple Guorun established a 50:50 joint venture – Zhejiang Kandi Electric Vehicles Co., Ltd. ("Kandi Electric") – with Kandi Technologies Group, Inc. ("Kandi Technologies") to engage in the investment, research and development, production, marketing and sales of electric vehicles in China. The Group's capital contribution to Kandi Electric was in the form of injection of assets valued at RMB640.7 million as announced by the Company on 23 December 2013. The assets mainly comprised necessary properties and equipment to enable the commencement of the electric vehicle business by the joint venture.

The joint venture was set up to leverage on the strength, resources and expertise of both the Group and Kandi Technologies in the smaller size and shorter range electric vehicles segment in China. Since Kandi Electric is 50%-owned by Shanghai Maple Guorun and is managed independently from the Group, its financial results will not be consolidated into the financial statements of the Group.

Vehicle Financing Joint Venture with BNP Paribas Personal Finance

On 16 December 2013, the Group agreed to set up a joint venture with BNP Paribas Personal Finance to engage in the vehicle financing business in China. The official establishment of the joint venture and its commencement of operation are subject to the approval of the China Banking Regulatory Commission and other relevant government authorities in China. The registered capital of the joint venture will be RMB900 million and will be contributed as to 80% (equivalent to RMB720 million) by the Company through the Group's internal resources, and as to 20% (equivalent to RMB180 million) by BNP Paribas Personal Finance, respectively. Under the agreement, the call option and the put option will be granted by the Company to BNP Paribas Personal Finance. As the call option and the put option are exercisable at the discretion of BNP Paribas Personal Finance and the exercise prices for the call option and the put option are to be determined based on the fair market value of the joint venture at the time of exercise, the grant of the call option and the put option will be classified as at least a major transaction for the Company pursuant to the Listing Rules. For details of the call option and the put option, please refer to the Company's announcement dated 16 December 2013 and circular dated 8 January 2014. The Company's shareholders approved this major transaction at the extraordinary general meeting held on 27 January 2014. Since certain key corporate matters of the joint venture would require unanimous resolution of all the five directors, four of which will be nominated by the Group and the remaining one will be nominated by BNP Paribas Personal Finance, the joint venture will be equity accounted for in the financial statements of the Group and its financial results will not be consolidated into the financial statements of the Group.

Although the joint venture has not yet received the final clearance from the relevant government authorities in China and therefore has yet to commence operations, the management of the Group believes that the joint venture would enable the Group to provide a full range of quality automotive financing services to its customers, which in turn, could help to strengthen its competitiveness and promote the sales of its vehicles in the China market.

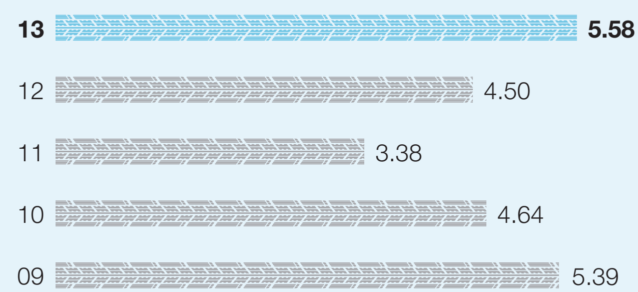
Financial Resources

Total capital expenditures for the Group amounted to around RMB930 million in 2013, which was in line with the budgeted amount at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) increased by about RMB380 million during

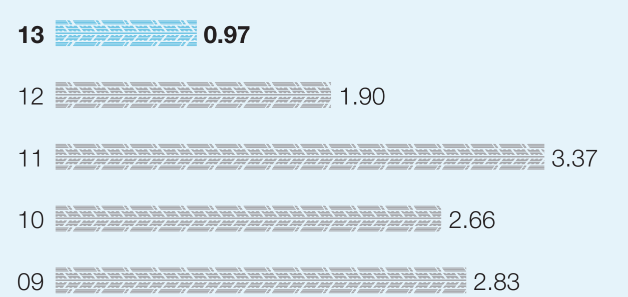
2013 to RMB494 million at the end of 2013 due to increase in trade receivables from customers, more than offsetting the decrease in inventories. At less than 2% of revenue in 2013, our year end working capital remained very healthy. This, combined with the good operational cash inflow from the Group's manufacturing operations, resulted in 24% increase in total cash level (bank balance and cash + pledged bank deposits) to RMB5,583 million. The Group's total borrowings also decreased by 49% to RMB966 million. This, combined with the full conversion of the 2014 convertible bonds (CB 2014), resulted in much stronger financial position of the Group at the end of 2013, with net cash on hand (total cash level – bank borrowings – convertible bonds) rising to RMB4,618 million at the end of 2013 versus a net cash level of RMB3,732 million six months ago. At the end of 2013, the majority of the Group's bank borrowings were denominated in RMB with a small amount of bank borrowings denominated in HK$. This was well matched by the currencies of the Group's cash and bank balances, which were mainly denominated in RMB.

Budgeted capital expenditures of the Group amount to about RMB1.1 billion in 2014, including the funding for the research and development of new vehicle platforms and models, new engines and gearboxes, the financing of the expansion and upgrading of production facilities at existing plants. 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.

Cash and Bank Balances
RMB Billion
At 31 December



Total Borrowings (Excluding Convertible Bonds)
RMB Billion
At 31 December



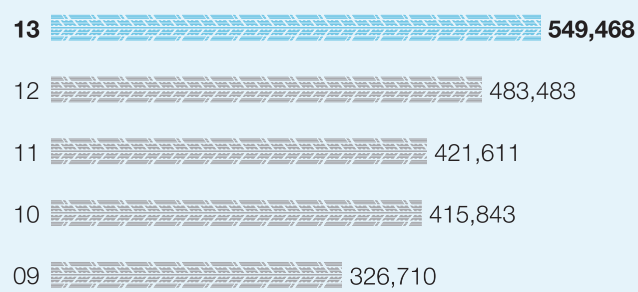
Vehicle Manufacturing

The Group sold a total of 549,468 units of vehicles in 2013, up 14% from last year. Sales volume growth in 2013 was driven by the strong demand for the "EC7", "GC7" and "SC6" models, the substantial increase in the sales volume of our Sport Utility Vehicle ("SUV") models, and the continued growth in export sales during the year. In 2013, the Group launched its second SUV model – "SX7" – and achieved encouraging sales volume of 14,720 units in its first year of sales. With the completion of the expansion of our SUV production facilities in Chengdu in mid-2013 and the planned launches of their facelift versions in early 2014, the Group's two SUV models: "GX7" and "SX7" should continue to drive the Group's overall sales volume growth in 2014. Other contributors to sales volume growth in 2014 should also include the upgraded version of "SC5", "EC8" and "SC6".

The Group's domestic sales volume in 2013 was up 13% to 430,597 units, compared with the 16% increase in the sales volume of China's passenger vehicle market during the same period. The Group's market share in China's sedan segment was down from 3.3% in 2012 to 3.1% in 2013, while the Group's market share in China's SUV segment was up from 1.5% in 2012 to 1.8% in 2013. Exports sales volume continued to grow but at slower pace of 17% to 118,871 units in 2013 and accounted for 22% of the Group's total sales volume in the year. The Group's share of China's total export of passenger vehicles, however, increased from 15.4% in 2012 to 19.9% in 2013.

Amongst the Group's three brand divisions in China: "GLEalge", "Emgrand" and "Englon", "Emgrand" branded vehicles achieved the fastest growth in sales volume in 2013, up 30% from the previous year. "Emgrand" brand also surpassed "GLEagle" to become the most important brand in terms of sales volume and accounted for 37% of the Group's total sales volume in 2013.

Annual Sales Volume
Unit



Demand for "EC7" continued to be very strong, maintaining its position as the Group's best-selling model in 2013. A total of 192,226 units of "EC7" were sold in 2013, up 35% from the previous year, mainly driven by the strong 82% growth in its sales volume in the export markets. Sales volume of "EC7" in the China market was up 20% during the same period. 32% of the "EC7" produced were sold in the export markets in 2013. Overall, "EC7" accounted for 35% of the Group's total sales volume in 2013. The high-end 1.8L version accounted for over one third of the total sales volume of "EC7" in 2013. "EC7" was also one of the best-selling models in China (ranked 22nd); Ukraine (ranked 3rd) and Egypt (ranked 3rd) in 2013. A major upgrade of "EC7", as featured by new external design, new interior and more sophisticated powertrain, is scheduled to be launched in mid-2014. This should enable the model to maintain its strong positions in its major markets.

While the sales volume of aging models like "Free Cruiser" and "Kingkong" continued their downward trends in 2013, recent new sedan models like "GC7" and "SC6" saw large increase in their sales volume in 2013. Despite the Group's first attempted entry into the fast growing but highly competitive SUV market, "GX7" and "SX7" received encouraging market response, the two SUV models achieved a combined sales volume of 64,298 units in 2013, up 109% from 2012, helping the Group to increase its market share in China's competitive SUV market from 1.5% in 2012 to 1.8% in 2013. Both "GX7" and "SX7" would be upgraded in 2014. This, together with the completion of the expansion of our SUV manufacturing plant in Chengdu from annual capacity of 60,000 units per shift to 100,000 units per shift in the third quarter last year, should enable our SUV sales volume to grow further in 2014.

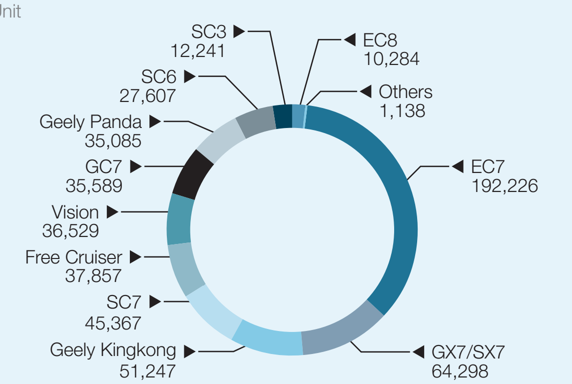
As a result of the stronger growth in the demand for the Group's more expensive models like "EC7" and the SUVs, and thus the continued positive shift in product mix in 2013, the Group's ex-factory average selling price improved further to RMB50,646 per unit in 2013, up 5.8% from last year, and making 2013 one of the best years in the Group's history in terms of average selling price increase.

In April 2013, the Group's "SC515" model achieved a 5 star rating in the C-NCAP (China's New Car Assessment Programme) crash test, reflecting the Group's leading position in terms of vehicle safety in China's automobile industry. At a very high score of 55.4 from the test, "SC515" ranked amongst the top of all the models tested by C-NCAP and was rated the safest car in the small passenger vehicle segment of the test.

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

Breakdown of Sales Volume by Models in 2013

Unit



Average Pre-tax Ex-Factory Prices

RMB

In "J.D.Power Asia Pacific 2013 China Sales Satisfaction Index (SSI) Study℠", the Group's "GLEagle" and "Emgrand" brands achieved significant improvement in their rankings and both scored above the overall industry average in the annual study of customer satisfaction with sales and purchase experience. "GLEagle" ranked number 12 and "Emgrand" ranked number 15 among the 47 mass market brands included in the 2013 study. Amongst the domestic brands in China, "GLEagle" ranked number 2, followed by "Emgrand", which ranked number 4. "GLEagle" scored 651 points (on a 1,000-point scale) and "Emgrand" scored 647 points in the study, compared with the overall satisfaction score of 647 points in the mass market segment.

In addition to the remarkable improvement in sales satisfaction, the Group's ranking in after-sales satisfaction continued to improve in 2013. In "J.D.Power Asia Pacific 2013 China Customer Service Index (CSI) Study℠", which analyzed after-sales dealer service satisfaction by vehicle owners, all the Group's three brands, "Englon", "GLEagle" and "Emgrand" continued to score significantly higher than the industry average. Amongst all the local brands in China, "Englon" ranked number 1, followed by "GLEagle", which ranked number 3, and "Emgrand" ranked number 6. In terms of overall ranking, "Englon" achieved number 9 position among the 71 passenger vehicle brands examined by the study, only behind eight major international brands.

Existing Production Facilities

Name	Interests	Usable Annual Production Capacity (Units Per Shift)	Models
Linhai plant	99.0%	50,000	Geely Panda (1.0L, 1.3L, 1.5L) GX2 (1.3L, 1.5L)
Luqiao plant	99.0%	100,000	Geely Kingkong (1.5L) SC5 (1.5L) SC6 (1.5L)
Ningbo/Cixi plants	99.0%	200,000	Free Cruiser (1.0L, 1.3L, 1.5L) EC7 (1.5L, 1.8L) EC7-RV (1.5L, 1.8L)
Lanzhou plant	99.0%	40,000	Free Cruiser (1.0L, 1.3L, 1.5L) SC3 (1.3L)
Xiangtan plant	99.0%	100,000	Vision (1.5L, 1.8L) SC7 (1.5L, 1.8L) GC7 (1.5L, 1.8L)
Shanghai plant (Phase I) (Leased to Shanghai LTI)	99.0%	30,000	TX4 (2.4L, 2.5L diesel)
Jinan plant	99.0%	50,000	EC8 (2.0L, 2.4L)
Chengdu plant	99.0%	100,000	GX7 (1.8L, 2.0L, 2.4L) SX7 (1.8L, 2.0L, 2.4L)
Total		**670,000**	

Cooperation with Volvo Car

The Group's cooperation with Volvo Car Corporation ("Volvo Car") made considerable progress in 2013 and is on track to achieve our purpose of improving the Group's product quality and strengthen its competitiveness. The key platform and infrastructure to facilitate the cooperation is an independent research and development centre called CEVT (China-Euro Vehicle Technology) located in Lindholmen Science Park in Gothenburg, Sweden. Officially opened in September 2013, CEVT is currently staffed by 200 resident engineers. Its first task is to develop a new modular architecture and set of components for future C-segment cars, addressing the needs of both Volvo Car and the Group. The modular strategy will deliver on the premium aspects that Volvo Car requires as well as the Group's demands in order to compete in the automotive market. The modular architecture and 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 offering through partnership and strategic alliance with leading international players with proven core technologies in the area of new energy vehicles. In addition to Kandi Electric, a 50:50 joint venture with Kandi Technologies, for the development, manufacture and sales of electric vehicles in China, 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 product line in the future. The Group will also leverage on Volvo Car's leading technology on hybrid electric vehicles to achieve a gradual transition from hybrid to pure electric technology. 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:

–	"GX7" facelift
–	"GX2" facelift
–	"SC5-RV" upgraded version
–	"SC6" upgraded version
–	"Geely Kingkong" upgraded version
–	"EC7" upgraded version
–	"EC7-RV" upgraded version
–	"GX9" full size SUV
–	"EC9" large size sedan ("KC")

Exports

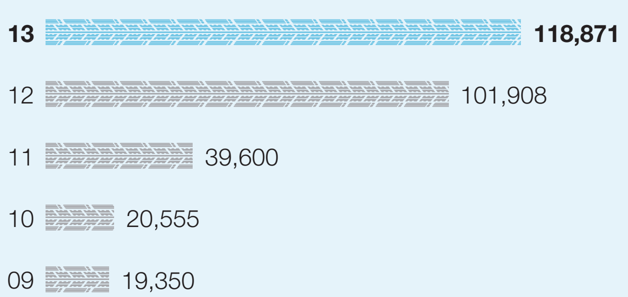
Although the Group's major export markets like Russia and Ukraine saw a slowdown in motor vehicle demand in 2013, the Group continued to grow our sales volume and market shares in these markets, reflecting the Group's strong competitiveness in these highly competitive markets. The Group exported 118,871 units of vehicles in 2013, another record high in its history and up 17% from 2012. Exports accounted for 22% of the Group's total sales volume during the year. The Group's share of China's total exports of passenger vehicles increased from 15% in 2012 to 20% in 2013. "EC7" remained the most popular export model in terms of sales volume in 2013, accounting for more than half of the Group's total exports in the year. Export volume of "EC7" increased by 82% to 62,118 units in 2013. The Group also started to export its first SUV model "Emgrand X7" ("GX7") in 2013 and shipped a total of 9,350 units during the year. With the initial good response to "Emgrand X7" and the planned increase in output of the model, we expect further growth by "Emgrand X7" in our major export markets in 2014.

Developing countries in the Eastern Europe, Middle East and Central and South America remained the most important export markets. Amongst which, the most important export destinations in terms of sales volume in 2013 were Russia, Ukraine, Saudi Arabia, Iran and Egypt, which together accounted for 76% of the Group's total exports volume in 2013. 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, Belarus and Sri Lanka. At the end of 2013, the Group exported its products to 41 countries through 41 exclusive sales agents and 527 sales and service outlets in these countries.

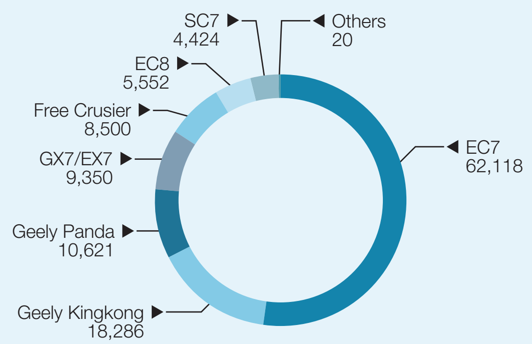
In 2014, the Group will continue to build up the localization of production in some of its major export markets. To improve the Group's market penetration in Central and Southern American market, the Group completed the construction of an assembly plant in Uruguay in cooperation with local partner Nordex in 2013. With an annual production capacity of 20,000 units, the new plant started assembling "Geely LC" ("Geely Panda") and "Emgrand 7" ("EC7") for sales in the Central and Southern American market in 2013. With the support from the Uruguay plant, the Group started to sell our products in the Brazilian market in early 2014 with the appointment of Grupo Gandini as our exclusive agent in Brazil.

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

Export Sales Volume
Unit

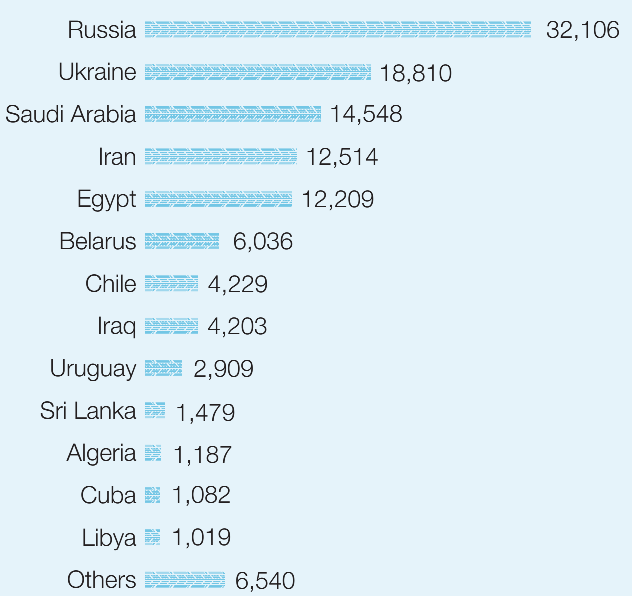


Breakdown of Exports Sales Volume
By Models in 2013



Despite the Group's recent investments to expand localization of production in its major export markets, the majority of the Group's costs are still denominated in RMB. On the other hand, most of the Group's export sales are charged at US$, meaning that further appreciation of RMB could undermine the competitiveness of the Group's products in the export markets. As most of the Group's products are retailing at the export markets at local currencies, the devaluation of the local currencies against US$ and RMB could also affect the Group's competitiveness and therefore its sales volume in these markets. To mitigate the currency risk, the Group has embarked on plans to build additional oversea plants to increase the proportion of its costs in local currencies. Further, to compensate for higher costs at our export markets, the Group has speeded up the renewal of our export models, and has started to streamline our export operations with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in our export markets.

Top Export Destinations in 2013



Outlook

Challenges remain in 2014 in view of the rapid changes in economic and regulatory environment in China. Competitive pressure on indigenous brands in the China market should intensify considerably in the coming years as most major international brands have been strengthening their presence in the China market through more product offering, more aggressive pricing strategies, adding new production capacity and improving their marketing and customer services. The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on indigenous brands in China. Further, more major cities in China are expected to introduce local policies to restrict new car licenses to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to curb the growth of new vehicles.

The outlooks for our major export markets are mixed. Motor vehicle markets in Ukraine and Egypt have seen a material slowdown since early 2013 due to political and social instability. Passenger vehicle demand in Russia has stabilized but frequent regulatory changes and weakening currencies could continue to disrupt vehicle sales in the country. As a result, our exports business could face increasing challenges in 2014.

On the positive front, 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. In addition, the Group's financial position has improved significantly, thanks to strong operational cash flow, reduced debt and increased equity after the full conversion of its convertible bonds in 2013. This should allow the Group to continue investing for the future, further enhancing its core strength in powertrain technologies, customer satisfaction and supply chains, thus putting the Group in a much stronger position to meet any challenges.

2014 should also see increased investment by the Group in the area of new energy vehicles and the application of internet, computer and mobile communication technologies in our products and services. 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 these areas.

In 2014, the Group plans to offer more automatic transmission options to its customers and will start to offer turbo-charged engines in some of its models, thus enhancing the attractiveness of its products. With the substantial investment in new 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. The Group will continue to replace its old models with more sophisticated new models with more advanced powertrain technologies and designs. Further, a major upgraded version of our "EC7" sedans, a new full size SUV model and a brand new large size sedan model are scheduled to be launched by the Group within the year. These new powertrain technologies and new products should continue to support the Group's overall sales volume growth in 2014. Further, the shift of preference on vehicle procurement by the Chinese Government towards more indigenous brand products should provide additional opportunities for the Group to further expand our sales.

On the export side, against the slowdown in the demand in some of our major export markets, we have expanded into new markets like Brazil, aiming to further broaden our geographical coverage and to sustain our growth in exports sales. We had also completed the construction of two joint-venture assembly plants in Uruguay and Belarus, to improve our competitiveness in both the Central and Southern American and the Eastern European markets.

The Group's Board of Directors set our 2014 sales volume target at 580,000 units, up 6% from 2013, despite a high base for comparison in previous year.

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, 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 2013, the Group's shareholders' funds amounted to approximately RMB16.1 billion (as at 31 December 2012: approximately RMB12.9 billion). The Company issued 14.33 million ordinary shares upon exercise of share options during the year. On 7 October 2013, the Company received conversion notices from the investors for the full conversion of the outstanding 3% coupon convertible bonds due in 2014 or "CB 2014" issued by the Company in 2009 in the principal amount of around RMB901.3 million at a conversion price of HK$1.8408 per share, resulting in the issue of around 528.2 million new shares together with the cash settlement of about HK$121.1 million to the investors.

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 2013, the Group's current ratio (current assets/current liabilities) was about 1.29 (as at 31 December 2012: 1.19) and the gearing ratio of the Group was about 6.0% (as at 31 December 2012: 21.4%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2013, the increase in receivables was (a) mainly due to more contribution from the Group's export sales and the 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 strong net cash level, the Group did not opt to discount these notes receivable without recourse but wait to hold them until maturity during most of the times in 2013. 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 2013, the Group had to prepay these inventories to its suppliers towards the end of 2013. 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 2013, the receipts in advance from customers represented almost 9% (as at 31 December 2012: 17%) of the total current liabilities. Accordingly, the net effect of the above resulted in an increase in current ratio at the end of year 2013 over the previous year.

Total borrowings (excluding trade and other payables) as at 31 December 2013 amounted to approximately RMB1.0 billion (as at 31 December 2012: approximately RMB2.8 billion) were mainly the Group's borrowings. For the borrowings, they were mostly secured, interest-bearing and repaid on maturity. The decrease in gearing ratio during the year was mainly due to a combination of (a) the extinguishment of the Company's convertible bonds as a result of its full conversion in October 2013; (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 another record-high profit attained by the Group in the year of 2013. Should other opportunities arise requiring additional funding, the Board believes the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2013, the total number of employees of the Group was about 18,138 (as at 31 December 2012: 18,512). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 50, joined the Company and its subsidiaries (collectively 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 associate, 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 27 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 52, 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 50, 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. He has been appointed an independent non-executive director of Radford Capital Investment Ltd. (HK Stock Code: 901) since 1 November 2013. Mr. Gui has over 27 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. An Cong Hui, aged 44, 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 53, 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 44, 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 appointed a member of the board of directors of Volvo Car Corporation since April 2012. Mr. Li 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 (the Company's 19.97-owned associate that had been put into liquidation and whose shares had been delisted from the London Stock Exchange ("LSE") (former stock code on the LSE: MNGS)) and the chairman of The London Taxi Company (a private company).

Mr. Liu Jin Liang, aged 49, joined the Group on 9 June 2005 as an Executive Director. Mr. Liu has been responsible for the Group's sales and marketing of new energy vehicles with effect from 16 May 2013. 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. Since his joining to Geely Holding in 1995, Mr. Liu has about 19 years of experience in domestic sales and marketing of motor vehicles, brand building, development of logistics management, development of customer service and enterprise operation management in China.

Ms. Wei Mei, aged 45, 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 and training 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 59, joined the Group on 9 January 2013 as a Non-executive Director. Mr. Forster is the chief advisor to a member of Geely Holding and he has been appointed a member of the board of directors of Volvo Car Corporation since February 2013.

Mr. Forster has over 28 years of professional experience 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/CEO 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”, and later the head of global manufacturing), 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 51, joined the Group as 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 the 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 43, 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 21 years of experience in accounting and auditing field. Mr. Lee is an independent non-executive director of both Tiangong International Company Limited (HK Stock Code: 826) and U-Home Group Holdings Limited (formerly known as Jiwa Bio-Pharm Holdings Limited) (HK Stock Code: 2327). 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 64, 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 31 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 69, 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 is also an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (HK Stock Code: 2238) and an independent director of Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd., (Shenzhen Stock Code: 002284). He was an independent director of Henan Province Xixia Automobile Water Pump Co Ltd. (Shenzhen Stock Code: 002536). 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 39, 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") Principal 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. Cheung Chung Yan, David, aged 38, 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. He is a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung has over 16 years of experience in auditing, accounting and financial management.

Mr. Dai Yang, Daniel, aged 59, 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. Zhang Yi, Ian, aged 51, joined the Group on 1 March 2010 and was appointed the Vice President of the Company on 5 November 2010, is in charge of risks assessment and monitoring, internal audit, and internal control infrastructure development of the Group. Prior to joining the Group, Mr. Zhang worked in senior management positions in various multinational companies including Praxair Inc., Robert Bosch GmbH and AlliedSignal Inc., with extensive experience in strategic planning, business development, operations and compliance management. Mr. Zhang holds a Bachelor of Engineering Degree (1984) with a major in Internal Combustion Engine and a Master's Degree in Business Administration (1990) accredited in the Sino-Canadian Joint MBA Program from Xi'an Jiaotong University.

CORPORATE GOVERNANCE REPORT

Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively 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").

For the year ended 31 December 2013, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report ("CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for CPs A.2.7, A.6.7 and E.1.2. This report further illustrates in detail as to how the CG Code was applied, inclusive of the considered reasons for any deviation, in the year under review.

(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 21 to 25 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 initial 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 of the Board (the "Chairman") & ED[1]	9 June 2005	16 May 2013	Directs overall corporate strategic direction, Board leadership and corporate governance of the Group
Mr. Yang Jian	Vice Chairman & ED[1]	9 June 2005	16 May 2013	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	16 May 2013	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

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
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 the sales and marketing of new energy vehicles of the Group
Ms. Wei Mei	ED[1] & member of RC[5]	17 January 2011	16 May 2013	Oversees human resources management of the Group
Dr. Zhao Fuquan	ED[1] (resigned on 17 May 2013)	17 November 2006	16 May 2013	Oversees research and development activities of the Group
Mr. Carl Peter Edmund Moriz Forster	NED[2]	9 January 2013	16 May 2013	Provides independent consultancy advice on strategic planning to the Board
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. 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. 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

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
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

Notes:

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, legal and other applicable 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 when there is a Director or any of his associates having a material interest in the transactions and 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 judgments 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 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, together with the time involved every year; any change of such during the year would be properly disclosed in due course. All Directors confirmed that they had given sufficient time and attention to the Group's affairs during the year. The independent non-executive Directors and the non-executive Director also declared their 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.

During the year, the Company arranged a CPD session in relation to (i) consultation on review of connected transaction rules under the Listing Rules, (ii) consultation on aligning the definitions of connected person and associate under the Listing Rules, (iii) The Competition Ordinance, and (iv) The New Companies Ordinance conducted by an independent professional trainer in Hong Kong. As the Directors are geographically dispersed, the Company also provided tele-conferencing facility to accommodate the Directors' participation in the CPD session. For the remaining Directors who were engaged with other business commitment outside Hong Kong, the Company also provided them with a set of PowerPoint slides and a DVD disk for self-learning.

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 table below illustrates how each Director participated in the CPD or training session during the year:

	CPD/Training Session			
Name of Directors	**In person**	**Via tele-conference**	**Self-learning**	**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		✓		
Ms. Wei Mei		✓		
Dr. Zhao Fuquan [1]	N/A	N/A	N/A	N/A
Non-executive Directors				
Mr. Carl Peter Edmund Moriz Forster [2]			✓	✓
Mr. Yin Da Qing, Richard [3]	N/A	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Song Lin			✓	
Mr. Lee Cheuk Yin, Dannis			✓	
Mr. Yeung Sau Hung, Alex	✓			
Mr. Fu Yu Wu		✓		
Mr. Wang Yang	✓			

Notes:

[1] Dr. Zhao Fuquan resigned as executive Director on 17 May 2013.
[2] Mr. Carl Peter Edmund Moriz Forster was appointed non-executive Director on 9 January 2013.
[3] Mr. Yin Da Qing, Richard resigned as non-executive Director on 9 January 2013.

Supply of and Access to Information

The Company provides the Directors with adequate information in such form and of such quality in a timely manner that will enable them to make informed decisions and to discharge their duties and responsibilities properly. The Company ensures that individual Directors shall have separate and independent access to its 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, papers and materials related to Board meetings, the management team is required to provide complete, reliable and timely information to the Directors with a proper briefing in respect of the matters and issues being contemplated by the Directors in the Board meetings. The Company also keeps the Board members well informed of the execution status and latest developments of the respective matters and issues resolved by the Directors in the Board meetings in a timely manner. In addition to regular Board meetings, the Company also provides reports in relation to the Group's consolidated management accounts, sales volume and investor relations activities on a monthly basis, and news releases and share price performance on a regular basis to the Directors.

Securities Transactions of the Directors and the Senior Management

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 guidelines for dealings in the Company's securities by its relevant employees (including but not limited to the Directors, any employee of the Company, any employee of a subsidiary of the Company and its subsidiaries who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities).

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 reported. As at 31 December 2013, the details of Directors' holding of the Company's securities are set out on pages 52 to 53 of this annual report. The senior management of the Company whose profiles are set out on page 26 of this annual report also declared that they did not hold any shares of the Company as at 31 December 2013.

In addition, the Company issues notices to all Directors, senior management, management team 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 of the Group before it is properly disclosed.

The Company also implements an internal policy on handling inside information which is reconcilable with the relevant applicable requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with inside information and preservation of its confidentiality before proper disclosure. It also sets out 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 appropriate coverage based upon performance of duties by such persons; the Board was satisfied with the insured amount and considered it adequate. The insured amount is subject to regular review by the Board.

(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) reviewed the existing policies of the Company on corporate governance including Whistleblowing Policy, Remuneration Policy and Shareholders' Communication Policy; (ii) reviewed the coverage of knowledge and skills of the CPD and training sessions arranged for the Directors and senior management by the Company; (iii) evaluated the effectiveness of internal safeguard procedure for overseeing timely disclosure of material inside information and perseverance of its confidentiality; (iv) monitored the compliance of Model Code by the Directors and relevant employees of the Group; and (v) reviewed the Company's compliance with the CG Code and disclosure in this 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 for the management team 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, and disclosure of inside information.

Composition of the Board

The Listing Rules require the Company 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 2013, the Board comprised eight executive Directors, one non-executive Director and five independent non-executive Directors, namely Mr. Song Lin, 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. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang. On 9 January 2013, Mr. Yin Da Qing, Richard resigned whilst Mr. Carl Peter Edmund Moriz Forster appointed the non-executive Director. Dr. Zhao Fuquan resigned as an executive Director on 17 May 2013. A table illustrating the compositions of the Board and its committees is set out on pages 27 to 29 of this report.

An updated list of Directors and their roles and functions dated 29 May 2013 is maintained on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk) for Shareholders' inspection.

Appointments and Re-election

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

Pursuant to Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung San Hung, Alex, and Mr. Wang Yang 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 29 May 2014 ("AGM 2014").

As Mr. Lee Cheuk Yin, Dannis has served the Company more than 9 years since 28 June 2002, his further appointment should be subject to a separate resolution to be approved by Shareholders. By taking into account his independent status in the Board in the past years, and that he is not involved in the day-to-day management of the Company, the Board believes he is still independent and should be re-elected as the Company's independent non-executive Director; such reason shall be set out in the circular of the AGM 2014 for Shareholders' consideration.

Meetings of the Board

As required by business needs, the Company held a total of 6 regular Board meetings, 24 ad hoc Board meetings, 3 meetings of the Audit Committee ("AC"), 5 meetings of the Remuneration Committee ("RC"), 3 meetings of the Nomination Committee ("NC") and 1 annual general meeting ("AGM") for the financial year ended 31 December 2013.

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 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 or any of his associates has a material interest ("Interested Director"), 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 respective meetings held during the year that each Director is entitled to attend to reflect the effective attendance rate applicable to any Director(s) whom appointed and/or resigned part way during the year.

	Attendance Rate for Meetings					
Name of Directors	Regular Board Meetings	Ad hoc Board Meetings	AC Meetings	RC Meetings	NC Meetings	AGM
Executive Directors						
Mr. Li Shu Fu *(Chairman)*	5/6	22/24	–	–	–	0/1
Mr. Yang Jian *(Vice Chairman)*	5/6	22/24	–	–	–	1/1
Mr. Gui Sheng Yue *(CEO)*	6/6	24/24	–	–	3/3	1/1
Mr. An Cong Hui	3/6	23/24	–	–	–	0/1
Mr. Ang Siu Lun, Lawrence	6/6	23/24	–	–	–	1/1
Mr. Li Dong Hui, Daniel	5/6	23/24	–	–	–	1/1
Mr. Liu Jin Liang	5/6	24/24	–	–	–	1/1
Ms. Wei Mei	6/6	23/24	–	5/5	–	0/1
Dr. Zhao Fuquan [1]	2/3	17/18	–	–	–	0/1
Non-executive Directors						
Mr. Carl Peter Edmund Moriz Forster [2]	6/6	21/22	–	–	–	0/1
Mr. Yin Da Qing, Richard [3]	N/A	2/2	–	–	–	N/A
Independent Non-executive Directors						
Mr. Song Lin	5/6	23/24	1/3	–	–	0/1
Mr. Lee Cheuk Yin, Dannis	6/6	23/24	3/3	5/5	3/3	1/1
Mr. Yeung Sau Hung, Alex	6/6	23/24	3/3	5/5	3/3	0/1
Mr. Fu Yu Wu	6/6	23/24	3/3	5/5	3/3	1/1
Mr. Wang Yang	5/6	23/24	2/3	5/5	3/3	1/1

Notes:

1 Dr. Zhao Fuquan resigned as executive Director on 17 May 2013.

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

3 Mr. Yin Da Qing, Richard resigned as non-executive Director on 9 January 2013.

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 and the CEO.

Existing Non-executive Director and Independent Non-executive Directors

Each of the existing non-executive Director and independent non-executive Directors entered into a term of service of three years with the Company under the formal letters of appointment, whose term of service is the same as that of the other executive Directors under the formal service contracts, and is subject to retirement by rotation at least once every three years and offer himself for re-election at the annual general meeting of the Company. Both the letters of appointment and service contracts set out the key terms and conditions of the Directors' appointment in the designated term of service.

Having received annual confirmation from the five independent non-executive Directors for the year ended 31 December 2013 confirming that they had not been involved in any business which might fall under the factors for assessing their independence set out in Rule 3.13 of the Listing Rules, the Company considers all of the independent non-executive Directors are still independent and they have the character, integrity, independence and experience to fulfill their roles effectively.

Chairman and Chief Executive Officer

The roles of Chairman and CEO are assumed 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 being discussed at Board meetings and that they are 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, if 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 assure that the Board meetings are effectively carried out and a culture of openness and constructive relations between executive and non-executive Directors are promoted. CP A.2.7 provides that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold a meeting with the non-executive Director and the independent non-executive Directors without the presence of executive Directors during the year, he delegated the Company Secretary to gather any concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

The CEO is primarily responsible for the daily operations of the Group with the assistance from other executive Directors and the management team. The division of responsibilities between the Board and the management levels were clearly established 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 46 to 48 of this 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) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

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 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 updated terms of reference of the Remuneration Committee dated 17 May 2012 are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

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 (including the chairman of the committee himself) and one executive Director.

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 36 of this report. The Remuneration Committee considered the following proposals and/or made recommendation to the Board during the year:

- Reviewed the compensation payable to the resigning directors and the remuneration package of a newly appointed director;

- Reviewed the basic monthly salary, benefits and year-end bonus of individual 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 grant of share options to senior management of the Company; and
- Reviewed the Company's Remuneration Policy.

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 2013. 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 Company's Remuneration Policy, the remuneration packages of the Directors and senior management are made up of the following two tiers: 1) on short-term basis – basic monthly salaries and discretionary year-end bonus; and 2) on long-term incentive basis – share option 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 2013, the remuneration payable to members of senior management was within the following bands:

By Band	**Number of Person(s)**
RMB1,500,001 – RMB2,000,000	2
RMB3,000,001 – RMB3,500,000	1
	3

For the year ended 31 December 2013, the aggregate of the emoluments in respect of the above members of senior management was as follows:

By Category	**RMB'000**
Basic salaries and allowances	3,429
Retirement benefits and scheme contributions	36
Share-based payment expenses	2,703
	6,168

For details of Directors' remuneration, please refer to pages 110 to 111 of 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 updated terms of reference of the Nomination Committee dated 4 March 2013 are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

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 (including the chairman of the committee himself) and one executive Director.

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 3 meetings. Apart from nominating a candidate as a director, the committee reviewed the existing structure, size and composition of the Board in accordance with the Board Diversity Policy 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 36 of this report.

Board Diversity

The Company also early-adopted a new CP on 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) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" 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 cooperate 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 Audit Committee also acts as the key representative body for overseeing the Company's relations with the external auditor. The updated terms of reference of the Audit Committee dated 17 May 2012 are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Audit Committee

The Audit Committee being chaired by an independent non-executive Director currently comprises five members (including the chairman of the committee himself), solely the independent non-executive Directors.

During the year, the Audit Committee held 3 meetings. The attendance record, on a named basis, at those meetings is set out in the table on page 36 of this report. The Audit Committee considered the following businesses and/or made recommendation to the Board, when necessary, during the year:

- Reviewed the Group's audited annual results for the year ended 31 December 2012 including the major accounting issues raised by the external auditors;
- Reviewed the Group's interim results for the six months ended 30 June 2013;
- Assessed the independence and objectivity of the Company's external auditors and approved the annual audit fee for the year ended 31 December 2013;
- Approved the insurance of the Directors' and officers' liabilities of the Company and confirmed the adequacy of insurance coverage;
- Reviewed the internal audit findings conducted by the Internal Audit Department of the Company and assessed the effectiveness of the internal control system of the Group; and
- Reviewed the Whistleblowing Policy.

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 meets with the external auditors in the absence of the management team of the Company, including executive Directors, whenever necessary to discuss any issues related to the audit (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.) 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 Control

The Board is fully responsible for the Group's internal control systems, and delegates the responsibility of monitoring the effectiveness of the internal control systems of the Group to the Audit Committee. The Internal Audit Department of the Company is further delegated by the Audit Committee to carry out routine work for effectiveness evaluation of the internal control systems of the Group; findings of which will be reported regularly to the Audit Committee and administratively to the CEO.

During the year, the Internal Audit Department of the Company evaluated the effectiveness of the Group's internal control systems in respect of financial, operational and compliance controls & risk management functions in the following areas:

- Risk evaluation of the Group;
- Relevant procedure and process for accounting controls;
- Self-control assessment of the subsidiaries;
- Relevant operating system control;
- Construction supervision and the procedure and process for capital expenditure control;
- Audit on international business risk;
- Evaluation of risk following the implementation of the recently-amended "The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products" in relation to product recall, repair, replacement and return (the New 3Rs and Recall Law);
- Continuous professional development and training for Directors and senior management; and
- Other business projects (including risk assessment projects on the feasibility of merger, disposal, etc.).

The evaluation covered important internal control aspects. There was no material monitoring error or weaknesses identified during the year.

The Board conducted an annual review of the effectiveness of the Group's internal control systems through the Audit Committee, which was reported by the Internal Audit Department of the Company in quarterly meetings. The Board considered the internal control systems of the Group, including the adequacy of resources, human resources, training programmes and related budget of the Group's accounting and financial reporting function, effective and adequate.

The Internal Audit Department of the Company reported quarterly, or on ad hoc basis, to the Audit Committee on internal control matters, and reported administratively to the CEO and the management team. The Audit Committee expressed concerns over the internal control matters, and it delegated the Internal Audit Department of the Company to communicate the internal audit results with and make recommendation to the management team.

The Internal Audit Department of the Company maintained an effective communication with the external auditors. They had meetings regarding the Group's internal control systems before the interim review and annual audit. During the year, pursuant to "The Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products" published by the State's General Administration of Quality Supervision, Inspection and Quarantine, the Internal Audit Department of the Company worked together with the management team to conduct an evaluation of related risk and subsequently implemented preventive actions.

(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. Such information 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 financial statements 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 2013, 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 may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors acknowledged that their responsibility is to present a balanced, clear and understandable assessment being extended to annual and interim reports, other inside information announcements and other financial disclosures as 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 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 2013 in the independent auditors' report set out on pages 69 to 70 of this annual report.

In 2013, 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 after the assessment of their independence and objectivity conducted by the Audit Committee. Grant Thornton Hong Kong Limited shall hold office until re-election by the Shareholders at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2013, the remuneration for the provision of audit and non-audit services by the auditors to the Group was as follows:

	2013 RMB'000	2012 RMB'000
Audit Service		
Annual audit	**4,772**	4,541
Non-audit Service		
Interim review	**435**	405
Major transaction on formation of a joint venture*	**416**	–
	851	405
Total	**5,623**	4,946

* Please refer to the Company's announcement dated 16 December 2013 for details.

(E) COMPANY SECRETARY

The Company Secretary is an employee of the Company and is involved in the Company's affairs. He took more than 15 hours' professional training for the year ended 31 December 2013.

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, rules 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. Upon reasonable request by the Directors, the Company Secretary is delegated by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to assist the Directors in performing their duties to the Company.

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 the 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 the Directors for comments at a reasonable time after the meetings. Minutes of the meetings should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors in dissenting views expressed. 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 follow to propose a person for election as a Director, on 16 March 2012 on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

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

All general meetings other than the annual general meeting are called extraordinary general meetings. An extraordinary general meeting 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 a general meeting 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 172 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 requisitionist(s) 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 requisitionist(s) 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 of the Company sufficient notice (i.e. not less than 21 days for the annual general meeting and/or for passing of special resolution(s) at the extraordinary general meeting, or not less than 14 days for passing of ordinary resolution(s) at the extraordinary general meeting), 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 proposal 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 as set out on page 172 of this annual report, not less than 32 days before the upcoming general meeting at the time. The Board shall take into consideration the details of the proposal and reply to the Shareholders concerned by writing of when and how the proposal is considered, or if applicable, why the proposal 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 to 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 of the Company is in strict compliance with the internal policy of the Company on inside information at all times.

Communication with Shareholders

CP E.1.2 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 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 does not have a material interest in the businesses contemplating in the meeting and should 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 Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. 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 16 May 2013. 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, and Grant Thornton Hong Kong Limited, the Company's external auditors, attended and answered questions raised by the Shareholders at the general meeting physically. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call. The attendance of the Directors at the annual general meeting of the Company is set out on page 36 of this report.

Voting by Poll

For any resolutions proposed by the Company at the general meetings, bundling resolutions should be avoided. The Listing Rules stipulate 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 they are familiar with the procedures.

(G) INVESTOR RELATIONS

Details of substantial Shareholders by aggregate shareholding

Details of Shareholders having a substantial interest in the Company's securities as defined in the Securities and Futures Ordinance as at 31 December 2013 are set out on page 57 of this annual report.

Details of the last annual general meeting of the Company

Time:	16 May 2013 (Thursday) at 10:00 a.m.	
Venue:	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	
Major items discussed:	(i)	Received and considered report of the directors, audited financial statements and auditors' report;
	(ii)	Declared a final dividend;
	(iii)	Re-elected Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Dr. Zhao Fuquan, Ms. Wei Mei and Mr. Carl Peter Edmund Moriz Forster as the Directors;
	(iv)	Authorised the Board to fix the remuneration of the Directors;
	(v)	Re-appointed Grant Thornton Hong Kong Limited as the auditors of the Company; and
	(vi)	Granted a general mandate to the Directors to issue and allot new shares.
Voting results:	all resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll.	

Indication of important dates for the Shareholders in 2014/2015

Event		*Date*
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	:	27 – 29 May 2014 (Tuesday – Thursday)
Forthcoming annual general meeting	:	29 May 2014 (Thursday) at 4:30 p.m.
Ex-final dividend	:	9 June 2014 (Monday)
Book Close for entitlement of final dividend	:	11 – 13 June 2014 (Wednesday – Friday)
Record date for final dividend entitlement	:	13 June 2014 (Friday)
Final dividend distribution	:	July 2014
2014 interim results announcement	:	Late August 2014 *(to be confirmed)*
Financial year end	:	31 December 2014 (Wednesday)
2014 annual results announcement	:	Late March 2015 *(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 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 71 and page 72, respectively of the annual report. The directors recommend the payment of a final dividend of HK$0.046 per share to the shareholders on the register of members of the Company on 13 June 2014, amounting to approximately RMB319,845,000.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2014 to 29 May 2014, 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 29 May 2014, 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 26 May 2014.

The register of members of the Company will be closed from 11 June 2014 to 13 June 2014, 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 10 June 2014.

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 14 and note 15, respectively, to the consolidated financial statements.

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 in the reserves of Group and the Company during the year are set out in the consolidated statement of changes in equity on page 76 and the movement of reserves of the Company on page 163 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 *(Resigned on 17 May 2013)*
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

In accordance with Article 116 of the Company's Articles of Association, Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung San Hung, Alex and Mr. Wang Yang shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. 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 2013, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Capacity	Number of securities in the Company		Shareholding percentage
		Long position	*Short position*	*(%)*
Shares				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporation	3,751,159,000	–	42.62
Mr. Yang Jian	Personal	8,000,000	–	0.09
Mr. Gui Sheng Yue	Personal	11,800,000	–	0.13
Mr. An Cong Hui	Personal	6,000,000	–	0.07
Mr. Ang Siu Lun, Lawrence	Personal	4,270,000	–	0.05
Share options				
Mr. Yang Jian	Personal	12,000,000 (Note 2)	–	0.14
Mr. Gui Sheng Yue	Personal	11,500,000 (Note 2)	–	0.13
Mr. An Cong Hui	Personal	9,000,000 (Note 2)	–	0.10
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12

Name of director	Capacity	Number of securities in the Company		Shareholding percentage
		Long position	*Short position*	*(%)*
Mr. Li Dong Hui, Daniel	Personal	7,000,000 (Note 2)	–	0.08
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.10
Ms. Wei Mei	Personal	8,000,000 (Note 2)	–	0.09
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

Notes:

(1) Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold 3,751,159,000 shares, representing approximately 42.62% of the issued share capital of the Company as at 31 December 2013. Proper Glory is a private company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) This 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 as 31 December 2013.

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

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage
		Long Position	*Short Position*	*(%)*
Mr. Li Shu Fu	Proper Glory Holding Inc.	(Note 1)	–	(Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	(Note 2)	–	(Note 2)
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	(Note 3)	–	(Note 3)
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	(Note 4)	–	(Note 4)
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	(Note 5)	–	(Note 5)
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	(Note 6)	–	(Note 6)
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	(Note 7)	–	(Note 7)
Mr. Li Shu Fu	Zhejiang Kingkong Automobile Company Limited	(Note 8)	–	(Note 8)
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	(Note 9)	–	(Note 9)

Name of Director	Name of its associated corporations	Number of shares in its associated corporations		Shareholding percentage
		Long Position	*Short Position*	*(%)*
Mr. Li Shu Fu	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 Shu Fu and his associate.

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

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

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

(6) Zhejiang Jirun Automobile Company Limited ("Zhejiang Jirun") is incorporated in the PRC and is 1%-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 2013, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.

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

As at 31 December 2013, the following persons (other than the directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Substantial Shareholders

(as defined in the SFO)

Name	Capacity	Number of shares held		Lending Pool	Shareholding Percentage
		Long position	*Short position*		*(%)*
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	–	–	27.98
Geely Holding (Note 1)	Interest in controlled corporation	3,751,072,000	–	–	42.62
Zhejiang Geely (Note 2)	Beneficial owner	776,408,000	–	–	8.82
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	–	0.001
	Interest in controlled corporation	2,462,400,000	–	–	27.98
BlackRock, Inc.	Interest in controlled corporation	612,843,334	–	–	6.96
		–	2,525,000	–	0.03
JPMorgan Chase & Co.	Interest in controlled corporation	531,725,551	–	–	6.04
		–	68,444,471	–	0.78
		–	–	208,788,825	2.37

Notes:

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 2013 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 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding at 31.12.2013
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	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

	Exercise Period	Exercise price per share *HK$*	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding at 31.12.2013
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	8.5.2008 – 7.5.2013	0.92	14,330,000	–	(14,330,000)	–	–	–
	18.1.2010 – 17.1.2020	4.07	359,400,000	–	–	(39,800,000)	11,000,000	330,600,000
	21.4.2010 – 20.4.2020	4.07	14,400,000	–	–	–	–	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
	17.1.2013 – 16.1.2023	4.11	–	4,100,000	–	–	–	4,100,000
			501,630,000	4,100,000	(14,330,000)	(50,800,000)	–	440,600,000

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.

CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under Chapter 14A of the Listing Rules. All the connected transactions and 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. The directors of the Company confirm they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

1. Disposal of 51% Interest in the Registered Capital of Shanghai LTI

Pursuant to the equity transfer agreement dated 5 February 2013, Luck Empire Investment Limited ("Luck Empire"), an indirectly wholly owned subsidiary of the Company, entered into a transaction with Shanghai Maple Automobile Company Limited ("Shanghai Maple") to dispose of its entire 51% interest in the registered capital of Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), an indirectly owned subsidiary of the Company, to Shanghai Maple at a consideration of RMB173,350,000.

2. Acquisition of Assets for Vehicles Production from Geely Holding

Pursuant to the sales and purchase agreement dated 10 December 2013, the Company agreed with Zhejiang Geely Holding Group Company Limited ("Geely Holding") for the acquisition of certain assets for vehicles production at a total consideration of RMB80,390,061.

CONTINUING CONNECTED TRANSACTIONS

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, Semi Knock Down Kit ("SKD") Components and Complete Knock Down Kits ("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 RMB15.018 million which, did not exceed the annual cap of RMB223 million for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB15.018 million which, did not exceed the annual cap of RMB223 million for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB24,612.532 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB41,194.875 million for sales of CKDs and sedan tool kits for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB24,612.532 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB41,194.875 million for sales of CKDs and sedan tool kits for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

- ***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 RMB30,147.665 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB51,990.255 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB30,147.665 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB51,990.255 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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

Pursuant to the Loan Guarantee Agreement dated 16 November 2012, 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 RMB340 million which, did not exceed the annual cap of RMB1,000 million for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB340 million which, did not exceed the annual cap of RMB1,000 million for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

4. **Lease Agreement and Supplemental Lease Agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College**

Pursuant to the Lease Agreement dated 16 November 2012 and the Supplemental Lease Agreement dated 5 February 2013, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agrees to lease properties located in the PRC, 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.

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 RMB7.319 million which, did not exceed the annual cap of RMB13.328 million for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB7.319 million which, did not exceed the annual cap of RMB13.328 million for the year ended 31 December 2013 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 RMB26.635 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB218.849 million for sales of processed automobile parts and components for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB26.635 million for sales of processed automobile parts and components which did not exceed the annual cap of RMB218.849 million for sales of processed automobile parts and components for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB85.829 million for sales of CBUs which did not exceed the annual cap of RMB224.4 million for sales of CBUs for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB85.829 million for sales of CBUs which did not exceed the annual cap of RMB224.4 million for sales of CBUs for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB6.4 million for the purchase of imported TX4 after-sales car parts for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 RMB6.4 million for the purchase of imported TX4 after-sales car parts for the year ended 31 December 2013 as approved by the Stock Exchange and the Independent Shareholders.

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 2013.

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.

The emolument policy of the directors of the Company is decided by the remuneration committee of the board of directors of the Company, 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 31% and 20%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited and Zhejiang Wisdom Electronics Equipment Company Limited, both 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 10.7% and 2.8% 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 27 to 49 of the annual report.

AUDIT COMMITTEE

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

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 Geely Holding 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 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

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
19 March 2014

ACCOUNTS

INDEPENDENT AUDITORS' REPORT

Grant Thornton 致同

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 71 to 170, which comprise the consolidated statement of financial position as at 31 December 2013, 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
致同

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 2013 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
Level 12
28 Hennessy Road
Wanchai
Hong Kong

19 March 2014

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Turnover/Revenue	6	**28,707,571**	24,627,913
Cost of sales		**(22,941,904)**	(20,069,092)
Gross profit		**5,765,667**	4,558,821
Other income	8	**1,062,444**	1,047,685
Distribution and selling expenses		**(1,705,070)**	(1,483,014)
Administrative expenses, excluding share-based payments		**(1,682,285)**	(1,319,308)
Share-based payments	33	**(87,063)**	(78,789)
Finance costs, net	9	**(39,974)**	(194,605)
Share of results of associates	18	**(175)**	(1,713)
Share of result of a joint venture	19	**(9,362)**	–
Profit before taxation		**3,304,182**	2,529,077
Taxation	10	**(623,934)**	(479,291)
Profit for the year	9	**2,680,248**	2,049,786
Attributable to:			
Equity holders of the Company		**2,663,136**	2,039,969
Non-controlling interests		**17,112**	9,817
		2,680,248	2,049,786
Earnings per share			
Basic	12	**RMB31.74 cents**	RMB27.05 cents
Diluted	12	**RMB30.42 cents**	RMB26.34 cents

The notes on pages 79 to 170 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Profit for the year	**2,680,248**	2,049,786
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	**(88,893)**	(1,028)
(Loss)/Gain arising on revaluation of available-for-sale financial assets	**(10)**	132
Total comprehensive income for the year	**2,591,345**	2,048,890
Attributable to:		
Equity holders of the Company	**2,574,233**	2,039,073
Non-controlling interests	**17,112**	9,817
	2,591,345	2,048,890

The notes on pages 79 to 170 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	**6,208,554**	7,007,742
Intangible assets	15	**3,220,043**	2,814,497
Prepaid land lease payments	16	**1,166,070**	1,461,026
Goodwill	17	**6,222**	6,222
Interests in associates	18	**261,385**	195,165
Interests in a joint venture	19	**411,784**	–
Available-for-sale financial assets	23	**14,492**	3,661
Deferred tax assets	27	**59,411**	36,561
		11,347,961	11,524,874
Current assets			
Prepaid land lease payments	16	**30,098**	38,144
Inventories	20	**1,783,692**	1,822,287
Trade and other receivables	21	**14,785,486**	13,475,632
Financial assets at fair value through profit or loss	22	**13,114**	12,676
Tax recoverable		**55,739**	3,816
Pledged bank deposits		**105,471**	313,535
Bank balances and cash		**5,477,747**	4,188,862
		22,251,347	19,854,952
Current liabilities			
Trade and other payables	25	**16,074,808**	15,183,394
Tax payable		**196,728**	130,789
Borrowings	26	**965,565**	1,378,933
		17,237,101	16,693,116
Net current assets		**5,014,246**	3,161,836
Total assets less current liabilities		**16,362,207**	14,686,710

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**161,346**	152,557
Reserves	29	**15,906,678**	12,734,100
Equity attributable to equity holders of the Company		**16,068,024**	12,886,657
Non-controlling interests		**161,667**	317,367
Total equity		**16,229,691**	13,204,024
Non-current liabilities			
Convertible bonds	24	**–**	848,649
Borrowings	26	**–**	525,000
Deferred tax liabilities	27	**132,516**	109,037
		132,516	1,482,686
		16,362,207	14,686,710

Li Shu Fu
Director

Gui Sheng Yue
Director

The notes on pages 79 to 170 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory 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 39)	–	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2013

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory 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 2013	152,557	4,947,807	88,059	60,182	111,177	491,418	93,271	(42)	6,942,228	12,886,657	317,367	13,204,024
Profit for the year	-	-	-	-	-	-	-	-	2,663,136	2,663,136	17,112	2,680,248
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	(88,893)	-	-	-	-	(88,893)	-	(88,893)
Loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income for the year	-	-	-	-	(88,893)	-	-	(10)	2,663,136	2,574,233	17,112	2,591,345
Transactions with owners:												
Transfer of reserve	-	-	-	45,931	-	-	-	-	(45,931)	-	-	-
Shares issued under share option scheme	232	12,698	-	-	-	(2,251)	-	-	-	10,679	-	10,679
Disposal of subsidiaries (note 30)	-	-	-	-	-	-	-	-	-	-	(170,580)	(170,580)
Recognition of share-based payments	-	-	-	-	-	87,063	-	-	-	87,063	-	87,063
Transfer upon forfeiture of share options	-	-	-	-	-	(51,877)	-	-	51,877	-	-	-
Shares issued upon conversion of convertible bonds	8,557	855,459	-	-	-	-	(93,271)	-	-	770,745	-	770,745
Dividends paid	-	-	-	-	-	-	-	-	(261,353)	(261,353)	(2,232)	(263,585)
Total transactions with owners	8,789	868,157	-	45,931	-	32,935	(93,271)	-	(255,407)	607,134	(172,812)	434,322
Balance at 31 December 2013	161,346	5,815,964	88,059	106,113	22,284	524,353	-	(52)	9,349,957	16,068,024	161,667	16,229,691

The notes on pages 79 to 170 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before taxation		**3,304,182**	2,529,077
Adjustments for:			
Depreciation and amortisation		**1,077,995**	860,096
Interest income		**(59,263)**	(42,156)
Finance costs		**99,237**	236,761
Share of results of associates		**175**	1,713
Impairment loss on interests in an associate		**663**	–
Share of result of a joint venture		**9,362**	–
Loss/(Gain) on disposal of property, plant and equipment		**8,781**	(1,883)
Loss/(Gain) on disposal and written off of intangible assets		**180,110**	(264)
Gain on disposal of prepaid land lease payments		**(78,854)**	–
Net foreign exchange gain		**(8,992)**	(14,861)
Gain on disposal of subsidiaries	30	**(7,659)**	–
Gain on disposal of available-for-sale financial assets		**–**	(1,176)
Unrealised gain on financial instruments at fair value through profit of loss that are classified as held for trading		**(438)**	(451)
Share-based payment expenses		**87,063**	78,789
Bad debts written off		**3,626**	–
Impairment loss on inventories		**4,040**	–
Operating profit before working capital changes		**4,620,028**	3,645,645
Inventories		**(48,628)**	(464,781)
Trade and other receivables		**(1,725,716)**	(1,346,684)
Trade and other payables		**1,325,453**	3,314,131
Cash from operations		**4,171,137**	5,148,311
Income taxes paid		**(609,568)**	(710,712)
Net cash from operating activities		**3,561,569**	4,437,599

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(930,264)**	(1,076,262)
Proceeds from disposal of property, plant and equipment		**654,158**	101,640
Addition of prepaid land lease payments		**(191,033)**	(29,237)
Proceeds from disposal of prepaid land lease payments		**584,040**	9,478
Addition of intangible assets		**(900,655)**	(816,624)
Proceeds from disposal of intangible assets		**26,190**	13,857
Change in pledged bank deposits		**208,064**	39,997
Net cash inflow on disposal of subsidiaries	30	**173,001**	–
Acquisition of additional interests in subsidiaries		**–**	(244,386)
Capital contribution from a non-controlling shareholder		**–**	245
Investments in associates		**(37,333)**	(112,262)
Investment in a joint venture		**(500,000)**	–
Purchase of available-for-sale financial assets		**(10,800)**	(180,814)
Proceeds from disposal of available-for-sale financial assets		**–**	181,175
Interest received		**59,263**	42,156
Net cash used in investing activities		**(865,369)**	(2,071,037)
Cash flows from financing activities			
Dividends paid		**(263,585)**	(170,362)
Proceeds from issuance of shares upon exercise of share options		**10,679**	24,193
Proceeds from issuance of shares upon exercise of warrants		**–**	593,542
Compensation paid to CB 2014 Investors	24	**(98,051)**	–
Proceeds from borrowings		**847,809**	2,463,410
Repayment of borrowings		**(1,777,868)**	(3,923,892)
Interest paid		**(84,895)**	(193,061)
Net cash used in financing activities		**(1,365,911)**	(1,206,170)
Increase in cash and cash equivalents		**1,330,289**	1,160,392
Cash and cash equivalents at beginning of year		**4,188,862**	3,030,391
Effect of foreign exchange rate changes		**(41,404)**	(1,921)
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		**5,477,747**	4,188,862

The notes on pages 79 to 170 are integral parts of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 2013, 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") and Mr. Li Shu Fu is the ultimate controlling party of the Company.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a joint venture.

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 4(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 2013 were approved for issue by the board of directors on 19 March 2014.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 71 to 170 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 4 below.

2. STATEMENT OF COMPLIANCE (Continued)

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 2013:

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

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the consolidation guidance in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under HKFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 – Joint Arrangements

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

2. STATEMENT OF COMPLIANCE (Continued)

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 18, 19 and 39.

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.

To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 37. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
Various	Annual Improvements to HKFRSs 2010-2012 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 No mandatory effective date yet determined but is available for adoption

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 addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments.

In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on the fair value option ("FVO") liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed.

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. 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.

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Company the current ability to direct the relevant activities of the investee).

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 22) or, when appropriate, the cost on initial recognition of an investment in an associate (note 18) or a joint venture (note 19).

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. 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.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

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 or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

4. 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.

4. 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 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.

4. 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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.

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.

4. 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.

4. 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 of disposal 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

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).

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, and interests in a joint venture, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Government grants (Continued)

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.

(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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 17) 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 measurements 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.

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

Key sources of estimation uncertainty (Continued)

Fair value measurements of financial instruments (Continued)

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.

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.

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

Key sources of estimation uncertainty (Continued)

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 and a joint venture 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.

6. 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.

7. SEGMENT INFORMATION

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

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

Gearboxes: Manufacture and sale of gearboxes.

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

7. SEGMENT INFORMATION (Continued)

As the resources allocation and performance assessment of the Group are now carried out by the most senior executive management based on the overall operation of the production and sale of automobiles, automobile parts and related automobile components, the Group has only one business segment for internal reporting purpose. As a result, no business segment information has been presented for the years ended 31 December 2013 and 2012. The Group uses consolidated profit before taxation as a measure of segment profit or loss. The Group's consolidated turnover represents revenue from external customers as the Group has only one segment.

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 and a joint venture, 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 and a joint venture.

	2013 **RMB'000**	2012 RMB'000
Revenue from external customers		
PRC	**21,962,293**	19,304,515
Europe	**3,072,291**	1,779,001
Middle East	**1,834,877**	2,051,605
Korea	**604,903**	684,684
Africa	**514,177**	215,318
Central and South America	**386,888**	305,887
Australia	**5,436**	25,053
Other countries	**326,706**	261,850
	28,707,571	24,627,913

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	2013	2012
	RMB'000	RMB'000
Specified non-current assets		
Hong Kong, place of domicile	**76**	64
PRC	**11,016,623**	11,140,523
Australia	**172,031**	328,985
Other countries	**85,328**	15,080
	11,274,058	11,484,652

8. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading	**438**	451
Rental income (note a)	**44,465**	41,089
Gain on disposal of scrap materials	**45,800**	56,226
Gain on disposal of subsidiaries (note 30)	**7,659**	–
Gain on disposal of property, plant and equipment	**–**	1,883
Gain on disposal of prepaid land lease payments	**78,854**	–
Gain on disposal of intangible assets	**–**	264
Government grants and subsidies (note b)	**800,048**	870,119
Gain on disposal of available-for-sale financial assets	**–**	1,176
Gain on sale of moulds	**–**	12,089
Net foreign exchange gain	**–**	1,826
Sundry income	**85,180**	62,562
	1,062,444	1,047,685

Notes:

a) Rental income net of outgoings for the year ended 31 December 2013 is RMB24,246,000 (2012: RMB31,578,000).

b) Government grants and subsidies mainly relates to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

9. PROFIT FOR THE YEAR

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

	2013 RMB'000	2012 RMB'000
Finance income and costs		
Finance costs		
Effective interest expense on convertible bonds	**14,206**	93,019
Interest on bank borrowings wholly repayable within five years	**84,129**	141,843
Interest expenses paid to a non-controlling shareholder of a subsidiary of the Group	**439**	189
Interest expenses paid to a related party under common control of the substantial shareholder of the Company's ultimate holding company	**463**	–
Other interest expenses	**–**	1,710
	99,237	236,761
Finance income		
Bank and other interest income	**(59,263)**	(42,156)
Net finance costs	**39,974**	194,605

	2013 RMB'000	2012 RMB'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**1,428,651**	1,246,924
Retirement benefit scheme contributions	**162,453**	161,229
Recognition of share-based payments	**87,063**	78,789
	1,678,167	1,486,942

9. PROFIT FOR THE YEAR (Continued)

	2013 RMB'000	2012 RMB'000
Other items		
Cost of inventories recognised as expense (note)	**22,941,904**	20,069,092
Auditors' remuneration	**5,623**	4,946
Depreciation	**789,259**	611,910
Amortisation of prepaid land lease payments	**38,374**	37,746
Amortisation of intangible assets	**250,362**	210,440
Loss/(Gain) on disposal of property, plant and equipment	**8,781**	(1,883)
Loss/(Gain) on disposal and written off of intangible assets	**180,110**	(264)
Net foreign exchange loss/(gain)	**94,754**	(1,826)
Net claims paid on defective materials purchased	**49,579**	20,374
Operating leases charges on premises	**28,494**	17,218
Research and development costs	**276,857**	206,343
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading	**(438)**	(451)
Impairment loss on interests in an associate	**663**	–
Bad debts written off	**3,626**	–
Impairment loss on inventories	**4,040**	–

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.

10. TAXATION

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC enterprise income tax	**620,912**	476,135
Other overseas tax	**10,007**	26,482
Overprovision in prior years	**(6,299)**	(3,591)
	624,620	499,026
Deferred taxation (note 27)	**(686)**	(19,735)
	623,934	479,291

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.

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

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries obtained the High and New Technology Enterprises qualification and accordingly, enjoyed preferential income tax rate of 15%.

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

10. TAXATION (Continued)

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**3,304,182**	2,529,077
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	**826,046**	632,269
Tax effect of expenses not deductible in determining taxable profit	**110,766**	105,307
Tax effect of non-taxable income	**(21,324)**	(18,069)
Tax effect of unrecognised tax losses	**18,726**	19,132
Utilisation of previously unrecognised tax losses	**(6,578)**	(11,098)
Tax effect of different tax rates of entities operating in other jurisdictions	**14,533**	8,989
Deferred tax charge on distributable profits withholding tax (note 27)	**17,649**	18,464
Effect of tax exemption granted to the PRC subsidiaries	**(329,585)**	(272,112)
Overprovision in prior years	**(6,299)**	(3,591)
Tax expense for the year	**623,934**	479,291

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 RMB17,649,000 (2012: RMB18,464,000) 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.

11. DIVIDENDS

A final dividend for the year ended 31 December 2012 of HK$0.039 per share amounting to approximately RMB261,353,000 were paid to the shareholders of the Company during the year.

A final dividend for the year ended 31 December 2013 of HK$0.046 per share amounting to approximately RMB319,845,000 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 2014 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

12. 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 RMB2,663,136,000 (2012: RMB2,039,969,000) and weighted average number of ordinary shares of 8,391,650,767 shares (2012: 7,541,269,744 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**8,258,948,934**	7,457,460,450
Effect of shares issued upon exercise of share options	**11,150,932**	16,505,820
Effect of shares issued upon exercise of warrants	**–**	26,188,144
Effect of shares issued upon conversion of convertible bonds	**121,550,901**	41,115,330
Weighted average number of ordinary shares at 31 December	**8,391,650,767**	7,541,269,744

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to equity holders of the Company of RMB2,677,342,000 (2012: RMB2,132,988,000) and the weighted average number of ordinary shares of 8,801,446,540 shares (2012: 8,099,202,678 shares), calculated as follows:

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

	2013 **RMB'000**	2012 RMB'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders of the Company)	**2,663,136**	2,039,969
After tax effect of effective interest on the liability component of convertible bonds	**14,206**	93,019
Earnings for the purpose of diluted earnings per share	**2,677,342**	2,132,988

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,391,650,767**	7,541,269,744
Effect of deemed conversion of convertible bonds	**406,616,705**	548,133,381
Effect of deemed issue of shares under the Company's share option scheme	**3,179,068**	9,799,553
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,801,446,540**	8,099,202,678

13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to each of the sixteen (2012: fifteen) directors are as follows:

2013

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary Bonus RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (note)	Total RMB'000
Mr. An Cong Hui	8	–	–	–	–	8	1,622	1,630
Mr. Ang Siu Lun, Lawrence	–	1,948	656	–	12	2,616	1,982	4,598
Mr. Carl Peter Edmund Moriz Forster	–	–	–	–	–	–	–	–
Mr. Gui Sheng Yue	–	2,106	656	548	12	3,322	2,072	5,394
Mr. Fu Yu Wu	146	–	–	–	–	146	–	146
Mr. Lee Cheuk Yin, Dannis	146	–	–	–	–	146	180	326
Mr. Li Dong Hui, Daniel	8	–	–	–	–	8	2,143	2,151
Mr. Li Shu Fu	–	316	–	–	12	328	-	328
Mr. Liu Jin Liang	8	–	–	–	–	8	1,622	1,630
Mr. Song Lin	146	–	–	–	–	146	180	326
Mr. Wang Yang	146	–	–	–	–	146	–	146
Ms. Wei Mei	8	–	–	–	–	8	2,071	2,079
Mr. Yang Jian	8	–	–	–	–	8	2,162	2,170
Mr. Yeung Sau Hung, Alex	146	–	–	–	–	146	180	326
Mr. Yin Da Qing, Richard	–	–	–	–	–	–	49	49
Dr. Zhao Fuquan	3	–	–	–	–	3	–	3
	773	4,370	1,312	548	36	7,039	14,263	21,302

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

(a) Directors' remuneration (Continued)

2012

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Contribution to retirement benefit scheme RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (note)	Total RMB'000
Mr. An Cong Hui	8	–	–	–	–	8	2,669	2,677
Mr. Ang Siu Lun, Lawrence	–	1,422	405	–	11	1,838	3,262	5,100
Mr. Gui Sheng Yue	–	1,422	405	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	3,160	810	528	33	5,072	28,737	33,809

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the year ended 31 December 2013. No director waived any emoluments during the year ended 31 December 2012.

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 4(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.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2012: two) persons are as follows:

	2013 **RMB'000**	2012 RMB'000
Basic salaries and allowances	**9,672**	6,121
Retirement benefits scheme contributions	**237**	302
Share-based payment expense	**1,982**	3,262
	11,891	9,685

The emoluments of the three (2012: two) persons with the highest emoluments are within the following bands:

	2013 **Number of persons**	2012 Number of persons
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1
	3	2

14. 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 2012	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
Exchange differences	(390)	(12,015)	–	(62,148)	–	(922)	(75,475)
Additions	597,644	–	88,764	181,365	50	47,610	915,433
Transfer	(524,524)	–	279,066	238,411	1,565	5,482	–
Disposals	(20,676)	(2,487)	(605,289)	(308,734)	–	(16,107)	(953,293)
Disposal of subsidiaries (note 30)	(21,207)	–	(14,756)	(230,175)	(26,868)	(18,363)	(311,369)
At 31 December 2013	**910,497**	**62,463**	**2,914,003**	**4,438,417**	**5,901**	**467,317**	**8,798,598**
DEPRECIATION							
At 1 January 2012	–	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
Exchange differences	–	(2,362)	–	(28,791)	–	(752)	(31,905)
Charge for the year	–	3,182	116,075	608,334	1,177	60,491	789,259
Disposals	–	–	(119,532)	(152,610)	–	(18,212)	(290,354)
Disposal of subsidiaries (note 30)	–	–	(2,013)	(76,225)	(5,939)	(8,339)	(92,516)
At 31 December 2013	**–**	**14,001**	**405,204**	**1,931,002**	**4,293**	**235,544**	**2,590,044**
NET BOOK VALUE							
At 31 December 2013	**910,497**	**48,462**	**2,508,799**	**2,507,415**	**1,608**	**231,773**	**6,208,554**
At 31 December 2012	879,650	63,784	2,755,544	3,039,404	22,099	247,261	7,007,742

The Group's freehold land is located outside Hong Kong. Some 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)).

15. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2012	2,493,714
Exchange differences	180
Additions	816,624
Disposals	(13,593)
At 31 December 2012	3,296,925
Exchange differences	(2,598)
Additions	900,655
Disposals and written off	(206,300)
Disposal of subsidiaries (note 30)	(55,222)
At 31 December 2013	**3,933,460**
AMORTISATION	
At 1 January 2012	271,969
Exchange differences	19
Charge for the year	210,440
At 31 December 2012	482,428
Exchange differences	(634)
Charge for the year	250,362
Disposal of subsidiaries (note 30)	(18,739)
At 31 December 2013	**713,417**
NET BOOK VALUE	
At 31 December 2013	**3,220,043**
At 31 December 2012	2,814,497

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

During the year ended 31 December 2013, the Group has written off the capitalised development costs amounted to approximately RMB176,172,000 in relation to particular projects which would not be put into commercialisation in view of the change in market conditions.

16. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
The Group's prepaid land lease payments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**1,196,168**	1,499,170
Analysed for reporting purposes as:		
Current assets	**30,098**	38,144
Non-current assets	**1,166,070**	1,461,026
	1,196,168	1,499,170
Opening net carrying amount	**1,499,170**	1,517,157
Additions	**171,800**	29,237
Disposals	**(426,333)**	(9,478)
Disposal of subsidiaries (note 30)	**(10,095)**	–
Annual charges of prepaid land lease payments	**(38,374)**	(37,746)
Closing net carrying amount	**1,196,168**	1,499,170

Some 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)).

During the year ended 31 December 2013, the Group has disposed of certain prepaid land lease payments with net carrying amount of RMB168,954,000 to Zhejiang Kandi Electric Vehicles Co., Ltd., a 50%-owned joint venture of the Group, at a consideration of RMB326,662,000. As a result, RMB78,854,000 has been recognised as other income (note 8) in the consolidated income statement and the remaining unrealised gain of RMB78,854,000 has been offset against interests in a joint venture (note 19).

17. GOODWILL

	2013 RMB'000	2012 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% (2012: 8%) per annum for the operation. A discount factor of 11% (2012: 9%) 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.

18. INTERESTS IN ASSOCIATES

	2013 RMB'000	2012 RMB'000
Share of net assets	**261,385**	276,320
Goodwill	**663**	18,845
Impairment loss recognised	**(663)**	(100,000)
	261,385	195,165

	2013 RMB'000	2012 RMB'000
Represented by:		
Cost of unlisted investments	**271,146**	401,865
Share of post-acquisition losses and reserves	**(9,098)**	(106,700)
Impairment loss recognised	**(663)**	(100,000)
	261,385	195,165

18. INTERESTS IN ASSOCIATES (Continued)

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

After considering the unsatisfactory projected future profitability and cash flows of Hangzhou Xuan You Network Technology Limited, the directors determined to recognise an impairment loss of RMB663,000 during the year ended 31 December 2013 (2012: nil).

Details of the Group's interests in associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of establishments and operations	Paid-up capital	Attributable equity interest held by the Group	Principal activities
Mando (Ningbo) Automotive Parts Co., Ltd. 萬都(寧波)汽車零部件有限公司	PRC	US$85,000,000	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$30,000,000	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

18. INTERESTS IN ASSOCIATES (Continued)

All associates are indirectly held by the Company.

The Group invests in Mando (Ningbo) Automotive Parts Co., Ltd. ("Mando (Ningbo)") which is a strategic supplier of automobile parts and components of the Group.

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

Summarised financial information of Mando (Ningbo), the Group's material associate, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013	2012
	RMB'000	RMB'000
Non-current assets	**313,988**	328,190
Current assets	**774,136**	563,968
Current liabilities	**(568,255)**	(477,947)
Non-current liabilities	**(2,320)**	(3,255)
Net assets	**517,549**	410,956
Revenue	**851,270**	594,300
Loss and total comprehensive loss for the year	**(84)**	(4,408)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Mando (Ningbo) recognised in the consolidated financial statements:

	2013	2012
	RMB'000	RMB'000
Net assets of Mando (Ningbo)	**517,549**	410,956
Proportion of the Group's ownership interests in Mando (Ningbo)	**35%**	35%
Carrying amount of the Group's interests in Mando (Ningbo)	**181,142**	143,835

18. INTERESTS IN ASSOCIATES (Continued)

Aggregate financial information of associates that are not individually material:

	2013	2012
	RMB'000	RMB'000
The Group's share of loss and total comprehensive loss for the year	**(146)**	(170)
Aggregate carrying amount of the Group's interests in these associates	**80,243**	51,330

19. INTERESTS IN A JOINT VENTURE

	2013	2012
	RMB'000	RMB'000
Share of net assets	**411,784**	–

	2013	2012
	RMB'000	RMB'000
Represented by:		
Cost of unlisted investment	**500,000**	–
Unrealised gain on disposal of prepaid land lease payments to a joint venture	**(78,854)**	–
Share of post-acquisition losses and reserves	**(9,362)**	–
	411,784	–

Details of the Group's interests in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of company	Place of establishments and operations	Paid-up capital	Proportion of ownership interest held by the Group	Principal activities
Zhejiang Kandi Electric Vehicles Co., Ltd. ("Zhejiang Kandi") 浙江康迪電動汽車有限公司	PRC	RMB500,000,000	50%	Manufacture of electric automobiles and investment holding

19. INTERESTS IN A JOINT VENTURE (Continued)

Zhejiang Kandi, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of a new joint venture, Zhejiang Kandi, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2013 RMB'000
Non-current assets	**893,442**
Current assets	**661,162**
Current liabilities	**(573,328)**
Net assets	**981,276**
The above amount of assets and liabilities include the following:	
Cash and cash equivalents	**229,489**
Current financial liabilities (excluding trade and other payables and provisions)	**30,000**
Revenue	**94,289**
Loss and total comprehensive loss for the year	**(18,723)**
The above loss for the year including the following:	
Depreciation and amortisation	**(9,132)**
Interest income	**1,643**
Income tax expense	**(10)**

19. INTERESTS IN A JOINT VENTURE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in a joint venture recognised in the consolidated financial statements:

	2013 RMB'000
Net assets of the joint venture	981,276
Proportion of the Group's ownership interests in the joint venture	50%
	490,638
Unrealised gain on disposal of prepaid land lease payments to the joint venture	(78,854)
Carrying amount of the Group's interests in the joint venture	411,784

20. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	506,858	788,952
Work in progress	430,903	457,601
Finished goods	845,931	575,734
	1,783,692	1,822,287

21. TRADE AND OTHER RECEIVABLES

	Note	2013 RMB'000	2012 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		**2,050,463**	1,723,511
– Associates		**392,781**	55,899
– Related companies controlled by the substantial shareholder of the Company		**1,348,683**	793,647
	(a)	**3,791,927**	2,573,057
Notes receivable	(b)	**8,060,190**	8,996,093
		11,852,117	11,569,150
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**167,665**	170,367
– Related companies controlled by the substantial shareholder of the Company		**527,987**	499,432
		695,652	669,799
Deposits paid for acquisition of property, plant and equipment		**249,996**	151,460
VAT and other taxes receivables		**1,171,576**	817,491
Utility deposits and other receivables		**184,142**	242,748
		2,301,366	1,881,498
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	**189,150**	23,832
Amount due from ultimate holding company	(c)	**2,202**	1,152
Amount due from a joint venture	(d)	**440,651**	–
		2,933,369	1,906,482
		14,785,486	13,475,632

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 PRC trade customers based on invoice dates at the reporting dates:

	2013 RMB'000	2012 RMB'000
0 – 60 days	**1,289,513**	598,292
61 – 90 days	**113,540**	100,895
Over 90 days	**114,720**	280,370
	1,517,773	979,557

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

	2013 RMB'000	2012 RMB'000
0 – 60 days	**254,121**	288,305
61 – 90 days	**602,171**	298,974
91 – 365 days	**1,275,429**	858,006
Over 1 year	**142,433**	148,215
	2,274,154	1,593,500

Of the total trade receivables balance at 31 December 2013, RMB117,159,000 (2012: RMB402,036,000) was due from the Group's largest customer. Other than the largest customer, there were three customers (2012: one) 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:

	2013	2012
	RMB'000	RMB'000
0 – 30 days past due	**91,108**	148,397
31 – 60 days past due	**83,061**	38,809
61 – 90 days past due	**14,756**	18,524
Over 90 days past due	**113,495**	205,284
	302,420	411,014

As at 31 December 2013, trade receivables of RMB3,489,507,000 (2012: RMB2,162,043,000) 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 RMB302,420,000 (2012: RMB411,014,000) 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.

21. TRADE AND OTHER RECEIVABLES (Continued)

(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 2013 and 2012, 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 RMB190,044,000 (2012: RMB226,244,000) notes receivable to banks to secure the Group's notes payable as at 31 December 2013.

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

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

(d) Amount due from a joint venture

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

Except for trade and other receivables amounting to RMB44,393,000 (2012: RMB113,770,000) 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

	2013 **RMB'000**	2012 RMB'000
Listed investments		
– Equity securities listed outside Hong Kong	**13,114**	12,676

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

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 RMB'000	2012 RMB'000
Listed investment outside Hong Kong		
– Debt security	**2,342**	2,311
Unlisted investments		
– Equity securities	**12,150**	1,350
	14,492	3,661

The directors determined that the fair value of debt security is not materially different from the carrying amount as stated above. The unlisted equity securities are 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 2012, the conversion price of the CB 2014 was changed from RMB1.637 (equivalent to HK$1.8583) per share to RMB1.622 (equivalent to HK$1.8408) per share from 10 July 2013 in accordance with the provisions of CB 2014.

24. CONVERTIBLE BONDS (Continued)

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.

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

CB 2014 was issued together with the Warrants under the general mandate in 2009. The original general mandate limit was 1,297,951,090 shares (the "General Mandate"). Upon partial conversion of CB 2014 (470,256,584 shares were issued) and full exercise of the Warrants (299,526,900 Shares were issued) in prior years, the unutilised General Mandate left was 528,167,606 shares (the "Unutilised General Mandate").

During the year ended 31 December 2013, the Investors converted all the outstanding CB 2014 in the principal amount of RMB901,313,000 (approximately HK$1,023,126,000). The number of shares to be issued under the outstanding CB 2014 is 555,805,023 (the "Outstanding Conversion Shares").

As the Outstanding Conversion Shares exceeded the Unutilised General Mandate by 27,637,417 Shares (the "Excess Conversion Shares"), the Investors had the right to request the Company, pursuant to the terms of CB 2014, to pay in cash for any Outstanding Conversion Shares that the Company was unable to deliver upon the conversion of the outstanding CB 2014.

Accordingly, upon the conversion of all the outstanding CB 2014 during the year ended 31 December 2013, the Company allotted and issued a total of 528,167,606 ordinary shares to the Investors at the conversion price of HK$1.8408 per share and the Company paid in cash of approximately RMB98 million (equivalent to approximately HK$121 million) to the Investors to satisfy the Excess Conversion Shares in lieu of delivery of the Excess Conversion Shares.

24. CONVERTIBLE BONDS (Continued)

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

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

	2013 **RMB'000**	2012 RMB'000
Liability component		
Carrying amount brought forward	**854,590**	1,533,889
Accrued effective interest charges	**14,206**	93,019
Interest paid during the year	**–**	(49,320)
Conversion during the year	**(770,745)**	(722,998)
Compensation paid in lieu of delivery of the Excess Conversion Shares	**(98,051)**	–
	–	854,590
Liability component is represented by:		
Convertible bonds	–	848,649
Accrued interest included in trade and other payables (note 25)	–	5,941
	–	854,590

The principal amount of outstanding CB 2014 as at 31 December 2013 is nil (2012: RMB901,313,000).

25. TRADE AND OTHER PAYABLES

	Note	2013 RMB'000	2012 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**7,744,569**	6,792,984
– An associate		**425,649**	328,735
– Related parties controlled by the substantial shareholder of the Company		**2,408,220**	1,682,207
	(a)	**10,578,438**	8,803,926
Notes payable	(b)	**644,003**	1,010,912
		11,222,441	9,814,838
Other payables			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		**1,090,384**	2,558,109
– Related parties controlled by the substantial shareholder of the Company		**468,673**	209,127
		1,559,057	2,767,236
Deferred government grants which conditions have not been satisfied		**467,598**	223,467
Payables for acquisition of property, plant and equipment		**366,557**	476,149
Accrued staff salaries and benefits		**274,679**	257,102
VAT and other taxes payables		**725,054**	540,115
Other accrued charges		**819,134**	578,723
		4,212,079	4,842,792
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	**640,095**	519,076
Amount due to ultimate holding company	(c)	**193**	–
Loan from a non-controlling shareholder of a subsidiary of the Group	(d)	**–**	6,688
		4,852,367	5,368,556
		16,074,808	15,183,394

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:

	2013	2012
	RMB'000	RMB'000
0 – 60 days	**8,763,174**	7,293,119
61 – 90 days	**1,023,405**	847,784
Over 90 days	**791,859**	663,023
	10,578,438	8,803,926

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

(b) Notes payable

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

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

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

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

At 31 December 2012, loan from a non-controlling shareholder of a subsidiary of the Group was unsecured, interest-bearing at 5% to 6.56% per annum and repayable within one year. Such loan was fully repaid during the year ended 31 December 2013.

All amounts are expected to be settled or recognised as income within 1 year and hence the carrying values of the Group's trade payables, notes payable and other payables are considered to be a reasonable approximation of fair value.

26. BORROWINGS

	Note	2013 RMB'000	2012 RMB'000
Bank loans secured by the Group's assets	(a)	**75,000**	218,923
Bank loans guaranteed by ultimate holding company	(b)	**785,000**	995,000
Other bank loans	(c)	**–**	268,000
Bank loans, unsecured	(d)	**105,565**	392,010
Total bank borrowings		**965,565**	1,873,933
Loans from government	(e)	**–**	30,000
		965,565	1,903,933

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

	2013 RMB'000	2012 RMB'000
On demand or within one year	**965,565**	1,378,933
In the second year	**–**	525,000
	965,565	1,903,933
Less: Amounts due within one year shown under current liabilities	**(965,565)**	(1,378,933)
	–	525,000

26. BORROWINGS (Continued)

Notes:

(a) These bank loans, together with notes payable, are secured by the Group's property, plant and equipment of nil (2012: RMB671,664,000), prepaid land lease payments of RMB32,278,000 (2012: RMB439,595,000), notes receivable of RMB190,044,000 (2012: RMB226,244,000) (note 21(b)) and bank deposits of RMB105,471,000 (2012: RMB313,535,000) and carry interest at 7.38% (2012: 5.13% to 6.56%) per annum.

(b) These bank loans are guaranteed by the Company's ultimate holding company and carry interest at 5.6% to 6.4% (2012: 5.7% to 6.9%) per annum except for an amount of RMB200,000,000 which is interest-free (2012: nil).

(c) At 31 December 2012, other bank loans were guaranteed by other third parties and carrying interest at 5.6% to 5.81% per annum, except for an amount of RMB68,000,000 which was interest-free. These amounts were fully repaid during the year ended 31 December 2013.

(d) Unsecured bank loans carry interest at 2.38% to 3.15% (2012: 2.11% to 5.89%) per annum.

(e) At 31 December 2012, loans from the government were used for financing the new plant construction and were interest-free, secured by the Group's prepaid land lease payments of RMB24,962,000 and repayable on demand. These amounts were fully repaid during the year ended 31 December 2013.

Of the above total borrowings, approximately RMB275,565,000 (2012: RMB695,933,000) and RMB490,000,000 (2012: RMB1,110,000,000) 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:

	2013 **RMB'000**	2012 RMB'000
At 1 January	**72,476**	92,194
Exchange differences	**1,315**	17
Credit to the consolidated income statement (note 10)	**(686)**	(19,735)
At 31 December	**73,105**	72,476

27. DEFERRED TAXATION (Continued)

Deferred tax assets

	Provisions RMB'000	Others RMB'000	Total RMB'000
At 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
Exchange differences	(3,338)	–	(3,338)
Credit/(Charge) to the consolidated income statement	21,414	(3,079)	18,335
At 31 December 2013	**36,639**	**33,482**	**70,121**

Deferred tax liabilities

	Undistributed profit of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 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
Exchange differences	–	(2,023)	(2,023)
Charge to the consolidated income statement	17,649	–	17,649
At 31 December 2013	**132,516**	**10,710**	**143,226**

27. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

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:

	2013 **RMB'000**	2012 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(59,411)**	(36,561)
Deferred tax liabilities recognised in the consolidated statement of financial position	**132,516**	109,037
Net deferred tax liabilities	**73,105**	72,476

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 RMB713 million (2012: RMB1,178 million).

At the reporting date, the Group has unused tax losses of approximately RMB159 million (2012: RMB185 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 2012 and 31 December 2013	**12,000,000,000**	**246,720**
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 January 2012	7,457,460,450	139,573
Shares issued under share option scheme	31,705,000	514
Shares issued upon conversion of convertible bonds	470,256,584	7,618
Shares issued upon exercise of warrants	299,526,900	4,852
At 31 December 2012 and 1 January 2013	8,258,948,934	152,557
Shares issued under share option scheme (note a)	14,330,000	232
Shares issued upon conversion of convertible bonds (note b)	528,167,606	8,557
At 31 December 2013	**8,801,446,540**	**161,346**

Notes:

(a) During the year, options were exercised to subscribe for 14,330,000 ordinary shares in the Company at a consideration of approximately RMB10,679,000 of which approximately RMB232,000 was credited to share capital and the balance of approximately RMB10,447,000 was credited to the share premium account. As a result of the exercise of options, RMB2,251,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in note 4(m).

(b) During the year, convertible bonds with principal amount of RMB856,495,000 (approximately HK$972,251,000) were converted by the Investors into 528,167,606 ordinary shares of the Company at a conversion price of RMB1.622 (equivalent to HK$1.8408) per share, of which approximately RMB8,557,000 was credited to share capital and the balance of RMB762,188,000 was credited to the share premium account. As a result of the conversion of convertible bonds, RMB93,271,000 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 4(g).

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 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.

(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 4(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 4(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 4(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 4(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 2013, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB3,420,957,000 (2012: RMB2,892,356,000).

The consolidated profit attributable to equity holders of the Company includes a loss of RMB130,080,000 (2012: RMB286,786,000) which has been dealt with in the financial statements of the Company.

30. DISPOSAL OF SUBSIDIARIES

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

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

Note:

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

30. DISPOSAL OF SUBSIDIARIES (Continued)

During the year, the Group disposed of its 50% indirect interest in Qufu Kailun Automobile Parts and Components Manufacturing Company Limited ("Qufu Kailun") to an independent third party. The consideration for the disposal of Qufu Kailun was RMB10,000,000. The disposal of Qufu Kailun was completed in August 2013.

	RMB'000
Net assets disposed of:	
Property, plant and equipment	**17,135**
Prepaid land lease payments	**10,095**
Inventories	**1,858**
Trade and other receivables	**5,790**
Bank balances and cash	**650**
Trade and other payables	**(20,311)**
	15,217
Net gain on disposal of a subsidiary:	
Cash consideration received	**10,000**
Net assets disposed of	**(15,217)**
Non-controlling interests	**7,608**
	2,391
Net cash inflow arising on disposal:	
Cash consideration received	**10,000**
Bank balances and cash disposed of	**(650)**
	9,350

31. COMMITMENTS

Capital expenditure commitments

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

	2013 RMB'000	2012 RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and machinery	**808,595**	582,993
– purchase of intangible assets	**4,500**	4,500
– investment in associates	**3,468**	71,616
– investment in a new joint venture (note 40)	**720,000**	–
– investment in available-for-sale financial asset	**5,400**	5,400
	1,541,963	664,509

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:

	2013 RMB'000	2012 RMB'000
Office and factory premises		
Within one year	**7,000**	8,429
In the second to fifth year inclusive	**5,044**	4,014
	12,044	12,443
Other assets		
Within one year	**4,505**	2,082
In the second to fifth year inclusive	**919**	1,613
	5,424	3,695
	17,468	16,138

Leases are negotiated and rental are fixed for an average term of four (2012: 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.

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 2013, the aggregate employer's contributions made by the Group and charged to the consolidated income statement amounted to RMB162,453,000 (2012: RMB161,229,000).

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.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

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.

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.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

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:

2013

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	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		
	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	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		
			92,500,000	–	–	(11,000,000)	(11,000,000)	70,500,000		

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2013 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding at 31 December	Exercise date	Weighted average share price at exercise date HK$
Employees	8 May 2008 to 7 May 2013	0.92	14,330,000	–	(14,330,000)	–	–	–	3 January 2013 to 30 April 2013	3.70
	18 January 2010 to 17 January 2020	4.07	359,400,000	–	–	(39,800,000)	11,000,000	330,600,000		
	21 April 2010 to 20 April 2020	4.07	14,400,000	–	–	–	–	14,400,000		
	23 March 2012 to 22 March 2022	4.07	12,000,000	–	–	–	–	12,000,000		
	25 June 2012 to 24 June 2022	4.07	9,000,000	–	–	–	–	9,000,000		
	17 January 2013 to 16 January 2023	4.11	–	4,100,000	–	–	–	4,100,000		
			501,630,000	4,100,000	(14,330,000)	(50,800,000)	–	440,600,000		
			HK$	HK$	HK$	HK$	HK$	HK$		
Weighted average exercise price per share			3.98	4.11	0.92	4.07	4.07	4.07		
Weighted average remaining contractual life of options outstanding at 31 December 2013								6 years		
Number of options exercisable at 31 December 2013								168,410,000		
								HK$		
Weighted average exercise price per share of options exercisable at 31 December 2013								4.07		

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

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		
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)

During the year ended 31 December 2013, 4,100,000 options were granted on 17 January 2013 with estimated total fair values of approximately RMB9 million. The closing price of the Company's shares immediately before the date on which the options granted was HK$4.10. The exercise price of the share options granted is HK$4.11 per share. The share options are valid for a period of 10 years from 17 January 2013 to 16 January 2023 and one-tenth of options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant.

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.

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

Grant date	17 January 2013	25 June 2012	23 March 2012
Exercise price	HK$4.11	HK$4.07	HK$4.07
Expected volatility	53.94%	54.93%	62.90%
Expected life	10 years	10 years	10 years
Risk-free rate	0.91%	1.048%	1.476%
Expected dividend yield	0.68%	1.03%	0.84%

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 RMB87,063,000 (2012: RMB78,789,000) for the year ended 31 December 2013 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.

All of the warrants issued have been fully exercised during the year ended 31 December 2012.

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	2013 RMB'000	2012 RMB'000
Related companies (note 1)			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of complete knock down kits and sedan tool kits	**10,931,856**	9,130,417
	Sales of automobile parts and components	**1,120**	1,841
	Claims income on defective materials purchased	**61,397**	55,914
	Purchase of complete buildup units	**11,425,065**	9,560,628
	Purchase of automobile parts and components	**52**	1,367
	Sub-contracting fee paid	**32,253**	34,116
	Claims paid on defective materials sold	**65,323**	60,004
	Acquisition of property, plant and equipment	**513**	–
Shanghai Maple Automobile Company Limited (上海華普汽車有限公司)	Sales of complete and semi knock down kits and sedan tool kits	**1,998,018**	2,359,667
	Sales of automobile parts and components	**4,107**	16,849
	Claims income on defective materials purchased	**2,999**	17,509
	Purchase of complete buildup units	**2,080,258**	2,367,019
	Claims paid on defective materials sold	**2,452**	14,269
	Purchase of automobile parts and components	**41**	188
	Acquisition of property, plant and equipment	**82**	290
	Disposal of a subsidiary (Note 30)	**173,350**	–

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2013 RMB'000	2012 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	**7,559,475**	7,431,654
	Sales of automobile parts and components	**–**	837
	Claims income on defective materials purchased	**65,635**	72,788
	Purchase of complete buildup units	**7,853,586**	7,769,416
	Purchase of automobile parts and components	**2,718**	3
	Sub-contracting fee paid	**49,880**	48,554
	Claims paid on defective materials sold	**58,384**	69,044
	Acquisition of property, plant and equipment	**80,996**	1,748
	Acquisition of additional interests in subsidiaries	**–**	215,386
	Rental income	**922**	922
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	**3,208**	415
	Claims income on defective materials purchased	**23,084**	43,822
	Purchase of automobile parts and components	**4,284,593**	5,780,786
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	**17**	4,607
	Purchase of automobile parts and components	**–**	280,068
	Sales of automobile parts and components	**6,131**	–
Taizhou Haoqing Automobile Sales Company Limited (台州豪情汽車銷售有限公司)	Sales of automobile parts and components	**1,071**	11
	Sales of complete buildup units	**85,318**	58,747
	Claims paid on defective materials sold	**202**	–
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司)	Purchase of automobile parts and components	**26,635**	30,274
	Rental income	**482**	551
	Claims paid on defective materials sold	**–**	486
Hunan Geely Automobile Industries Company Limited (湖南吉利汽車工業有限公司)	Sub-contracting fee paid	**–**	1,019
	Interest paid	**463**	–
Zhejiang Geely Automobile Industry School (浙江吉利汽車工業學校)	Rental income	**3,098**	5,360

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2013 RMB'000	2012 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	**4,135,137**	2,343,385
	Sales of automobile parts and components	**–**	4,180
	Purchase of complete buildup units	**4,422,029**	2,466,719
	Acquisition of property, plant and equipment	**1,192**	425
	Claims paid on defective materials sold	**27,651**	–
Zhongjia Automobile Manufacturing (Chengdu) Company Limited (中嘉汽車製造(成都)有限公司)	Rental income	**358**	715
Shanghai LTI Automobile Components Company Limited (上海英倫帝華汽車部件有限公司)	Sales of automobile parts and components	**702**	–
	Purchase of automobile parts and components	**1,288**	–
	Rental income	**4,067**	–
Non-controlling shareholder of the subsidiary			
Kailun (QuFu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	**439**	189
Associate			
Mando (Ningbo) Automotive Parts Co., Limited (萬都(寧波)汽車零部件有限公司)	Purchase of automobile parts and components	**842,118**	488,213
	Rental income	**320**	480
	Sale of intangible assets	**–**	4,652
	Sub-contracting fee paid	**–**	685
	Claims income on defective materials purchased	**5,091**	–
Closed Joint Stock Company BELGEE	Sales of complete buildup units	**348,833**	–
Joint venture			
Zhejiang Kandi Electric Vehicles Co., Ltd. (浙江康迪電動汽車有限公司)	Disposal of prepaid land lease payments and property, plant and equipment	**552,680**	–
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	**511**	–

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

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.

(b) Compensation of key management personnel

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

	2013 **RMB'000**	2012 RMB'000
Short-term benefits	**34,703**	33,315
Retirement benefits scheme contribution	**1,159**	2,078
Share-based payments	**87,063**	78,789
	122,925	114,182

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

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(c) Pledge of assets and financial guarantee contracts

As at 31 December 2013, the Group has provided guarantees with respect to banking facilities granted to the Company's ultimate holding company amounting to RMB340,000,000 (2012: RMB320,000,000). 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 RMB340,000,000 (2012: RMB600,000,000). 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 RMB82,221,000 (2012: RMB84,039,000) and RMB150,759,000 (2012: RMB466,067,000) respectively, have been pledged to the banks as at 31 December 2013.

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 2014 and 2017 for an amount of RMB100,000,000 and RMB240,000,000 respectively (2012: in 2013 and 2017 for an amount of RMB100,000,000 and RMB220,000,000 respectively).

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.

36. CAPITAL RISK MANAGEMENT (Continued)

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:

	2013 **RMB'000**	2012 RMB'000
Debt (note (i))	**965,565**	2,752,582
Equity (note (ii))	**16,068,024**	12,886,657
Debt to equity ratio	**6%**	21%

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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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 into account 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, some 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.

	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
2013								
Loans and receivables								
Trade receivables	0.05	2,247,268	1,026,189	476,614	44,393	–	3,794,464	3,791,927
Notes receivable	–	418,802	762,791	6,878,597	–	–	8,060,190	8,060,190
Other receivables	–	337,699	203,629	262,805	–	–	804,133	804,133
Pledged bank deposits	2.63	86,706	21,507	–	–	–	108,213	105,471
Bank balances and cash	0.38	5,499,363	–	–	–	–	5,499,363	5,477,747
Financial assets at fair value through profit or loss	–	13,114	–	–	–	–	13,114	13,114
Available-for-sale financial assets	0.08	2	1	9	12	14,504	14,528	14,492
		8,602,954	2,014,117	7,618,025	44,405	14,504	18,294,005	18,267,074
Financial liabilities at amortised cost								
Trade payables	–	1,815,264	6,765,504	1,997,670	–	–	10,578,438	10,578,438
Notes payable	–	322,481	59,438	262,084	–	–	644,003	644,003
Other payables	–	1,856,292	775,058	194,362	–	–	2,825,712	2,825,712
Borrowings	4.55	343,931	90,135	545,020	–	–	979,086	965,565
Financial guarantee contracts	–	340,000	–	–	–	–	340,000	–
		4,677,968	7,690,135	2,999,136	–	–	15,367,239	15,013,718

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
Financial guarantee contracts	–	320,000	–	–	–	–	320,000	–
		5,482,723	4,277,173	3,632,657	1,454,088	–	14,846,641	14,397,242

The amount included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the guarantee arrangement if that amounts are claimed by the counterparty to the guarantee on loans procured by the ultimate holding company of the Company. Based on the expectations at the end of the reporting period, the Group considers that no amount will be payable under the guarantee arrangement. However, these estimates are subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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 2013, 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 RMB4 million (2012: RMB6 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.

	2013			2012		
	Hong Kong dollars RMB'000	**United States dollars RMB'000**	**Euro RMB'000**	Hong Kong dollars RMB'000	United States dollars RMB'000	Euro RMB'000
Bank balances and cash	**107,290**	**253,961**	**11,265**	321,274	798,193	1,145
Trade and other receivables	**620**	**2,009,277**	**172,062**	504	1,562,789	1,915
Borrowings	**(102,700)**	**–**	**–**	(62,370)	(62,775)	–
Trade and other payables	**–**	**(80,174)**	**–**	–	(30,988)	(1,074)

As the Group is mainly exposed to the effects of fluctuation in United States dollars/Hong Kong dollars/Euro, 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		Impact of Euro	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit after taxation/ Accumulated profits	**81,865**	85,021	**260**	12,969	**6,875**	74

Fair value measurements of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurements of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

2013	**Fair value at 31 December**	**Fair value measurements using**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
Financial assets:				
Financial assets at fair value through profit or loss				
– Listed equity securities held for trading	**13,114**	**13,114**	**–**	**–**
Available-for-sale financial assets				
– Listed debt security	**2,342**	**–**	**2,342**	**–**

2012	Fair value at 31 December	Fair value measurements using		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Financial assets at fair value through profit or loss				
– Listed equity securities held for trading	12,676	12,676	–	–
Available-for-sale financial assets				
– Listed debt security	2,311	–	2,311	–

There was no transfer between instruments in Level 1 and Level 2 for the year ended 31 December 2013 and 2012.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurements of financial instruments (Continued)

(b) *Financial assets and liabilities measured at fair value*

Valuation technique and inputs used in Level 2 fair value measurements

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

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

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

	2013		2012	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Unlisted investments – Equity securities	**12,150**	**12,150**	1,350	1,350
Convertible bonds	**–**	**–**	(848,649)	(833,492)
	12,150	**12,150**	(847,299)	(832,142)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**76**	63
Investments in subsidiaries	39	**293,697**	293,697
Investment in an associate	(a)	**–**	–
Available-for-sale financial asset	(a)	**–**	–
		293,773	293,760
Current assets			
Other receivables		**1,847**	1,440
Amounts due from subsidiaries	(b)	**3,821,329**	3,964,652
Bank balances and cash		**95,425**	375,292
		3,918,601	4,341,384
Current liabilities			
Other payables		**3,018**	31,748
Borrowings		**102,700**	125,145
		105,718	156,893
Net current assets		**3,812,883**	4,184,491
Total assets less current liabilities		**4,106,656**	4,478,251
Capital and reserves			
Share capital	28	**161,346**	152,557
Reserves	(c)	**3,945,310**	3,477,045
Total equity		**4,106,656**	3,629,602
Non-current liabilities			
Convertible bonds	24	**–**	848,649
		4,106,656	4,478,251

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

Notes:

(a) At the reporting dates, the amount represents the investment in MBH as detailed in note 18. The net carrying amount was considered to be nil as at 31 December 2013 and 2012.

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

(c) The movement of reserves represents:

	2013 RMB'000	2012 RMB'000
At 1 January	**3,477,045**	2,526,822
Shares issued under share option scheme	**10,447**	23,679
Shares issued upon conversion of convertible bonds (note 28)	**762,188**	715,380
Shares issued upon exercise of warrants (note 28)	**–**	588,690
Recognition of share-based payments	**87,063**	78,789
Loss for the year	**(130,080)**	(286,786)
Dividends paid	**(261,353)**	(169,529)
At 31 December	**3,945,310**	3,477,045

39. SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2013 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%	–	Investment holding and export of sedans outside the PRC
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

39. 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
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
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 Zhejiang Jirun Automobile Company Limited^	PRC	USD330,715,081	–	99%	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 Shanghai Maple Guorun Automobile Company Limited^	PRC	USD121,363,600	–	99%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC

39. 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	
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

39. 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
湖南吉利汽車部件有限公司 Hunan Geely Automobile Components Company Limited^	PRC	USD88,500,000	–	99%	Research, development, production, marketing and sales of sedans and related automobile 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
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

39. 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
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 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
Fewin S.A.	Uruguay	USD8,010,418	–	100%	Marketing and sales of sedans in South America

39. 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
寧波吉利羅佑發動機零部件有限公司 Ningbo Geely Luoyou Engine Components Company Limited#	PRC	RMB282,800,000	–	100%	Production of automobile components in the PRC
台州吉利美嘉峰貿易有限公司 Taizhou Geely International Limited#	PRC	RMB10,000,000	–	100%	Export of sedans outside the PRC
湘潭吉利美嘉峰貿易有限公司 Xiangtan Geely International Limited#	PRC	RMB10,000,000	–	100%	Export of sedans outside the PRC

* 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.

39. 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 Zhejiang Kingkong and Zhejiang Ruhoo increasing each of its equity interest from 91% to 99% at a total cash consideration of 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 Zhejiang Kingkong and Zhejiang Ruhoo were completed in 2012.

2. In 2012, 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. In 2012, 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.

The following table lists out the information related to subgroup of Zhejiang Jirun Automobile Company Limited, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 RMB'000	2012 RMB'000
Non-controlling interest percentage	**1%**	1%
Non-current assets	**7,121,917**	6,646,186
Current assets	**19,890,896**	17,997,890
Current liabilities	**(17,062,746)**	(16,359,489)
Non-current liabilities	**(630,715)**	(1,216,663)
Net assets	**9,319,352**	7,067,924
Carrying amount of non-controlling interest	**89,023**	66,291
Revenue	**34,993,248**	28,881,477
Profit for the year	**2,513,720**	1,653,115
Other comprehensive income for the year	**(1,776)**	(731)
Total comprehensive income for the year	**2,511,944**	1,652,384
Profit allocated to non-controlling interest	**25,119**	16,524
Dividend paid to non-controlling interest	**2,232**	833
Cash flows from operating activities	**2,264,604**	2,711,254
Cash flows used in investing activities	**(813,339)**	(1,440,412)
Cash flows used in financing activities	**(709,853)**	(496,124)
Net cash inflows	**741,412**	774,718

40. EVENT AFTER THE REPORTING DATE

On 16 December 2013, the Company entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, a third party, for the establishment of a joint venture company ("JV Company") to engage in the vehicles financing business in the PRC. The Company will contribute a total of RMB720 million to the JV Company and obtain 80% of its equity interest. Pursuant to the JV Agreement, the JV Company will be under the joint control of the Company and the other investor. Accordingly, the investment in the JV Company will be treated as a joint venture of the Group and measured using the equity method. The JV Agreement will also involve the call option and put option granted by the Company to BNP Paribas Personal Finance, and a call option granted by BNP Paribas Personal Finance to the Company. The actual financial effect to the Group in relation to the call/put options will be determined by the exercise price of the relevant option to be calculated based on the then fair market value of the JV Company. The JV Agreement and the grant of the related options have been approved by the shareholders in the extraordinary general meeting of the Company held on 27 January 2014. Details of the JV Agreement and the options granted have been set out in the Company's circular dated 8 January 2014. At as the date of this report, the formation of the JV Company is still subject to the official approval by the China Banking Regulatory Commission.

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
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster

Independent Non-executive Directors:

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

Audit Committee:

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

Remuneration Committee:

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

Nomination Committee:

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

Company Secretary:

Mr. Cheung Chung Yan, David

Auditors:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

Principal Bankers in Hong Kong:

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
Bank of America NA

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Hong Kong Share Registrars & Transfer Office:

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Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

Company's Website:

http://www.geelyauto.com.hk

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

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