

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)

New GEELY Era

ANNUAL REPORT 2014



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Accounts

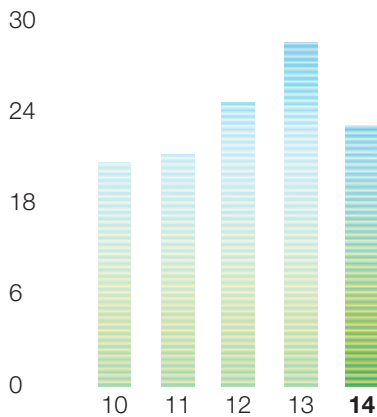
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Our Company

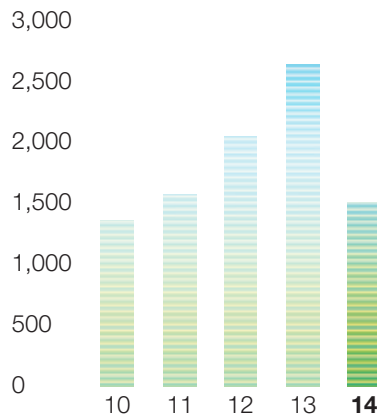
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KEY FIGURES

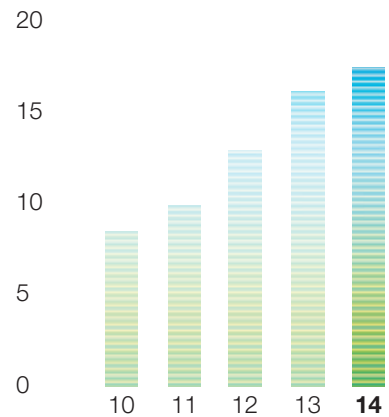
Turnover
(RMB Billion)



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



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



KEY FIGURES

FIVE YEAR FINANCIAL SUMMARY

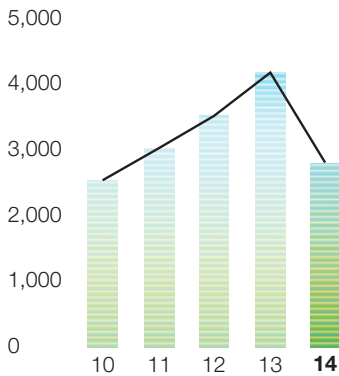
A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	21,738,358	28,707,571	24,627,913	20,964,931	20,099,388
Profit before taxation	1,943,405	3,304,182	2,529,077	2,183,208	1,900,323
Taxation	(494,177)	(623,934)	(479,291)	(467,359)	(350,612)
Profit for the year	1,449,128	2,680,248	2,049,786	1,715,849	1,549,711
Attributable to:					
Equity holders of the Company	1,430,588	2,663,136	2,039,969	1,543,437	1,368,437
Non-controlling interests	18,540	17,112	9,817	172,412	181,274
	1,449,128	2,680,248	2,049,786	1,715,849	1,549,711
Assets and liabilities					
Total assets	37,280,150	33,599,308	31,379,826	27,596,758	23,974,343
Total liabilities	(19,813,800)	(17,369,617)	(18,175,802)	(17,446,643)	(14,896,666)
Total equity	17,466,350	16,229,691	13,204,024	10,150,115	9,077,677
Represented by:					
Equity attributable to equity holders of the Company	17,287,996	16,068,024	12,886,657	9,582,200	8,021,882
Non-controlling interests	178,354	161,667	317,367	567,915	1,055,795
	17,466,350	16,229,691	13,204,024	10,150,115	9,077,677

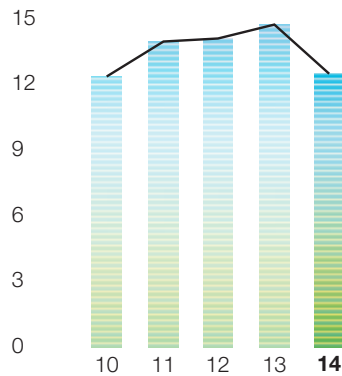
KEY FIGURES FIVE YEAR FINANCIAL SUMMARY

OTHER KEY FINANCIAL FIGURES

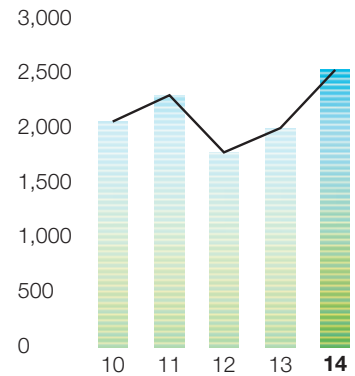
EBITDA⁽¹⁾
(RMB Million)



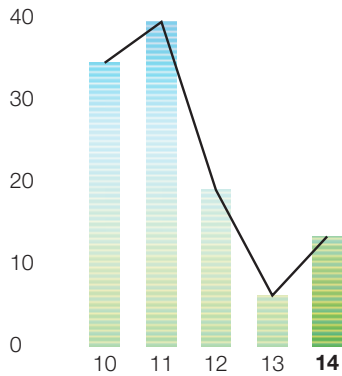
EBITDA margin⁽²⁾
(%)



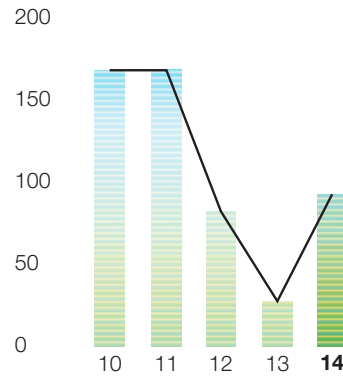
CAPEX⁽³⁾
(RMB Million)



Total debt⁽⁴⁾ / Total capital⁽⁵⁾
(%)



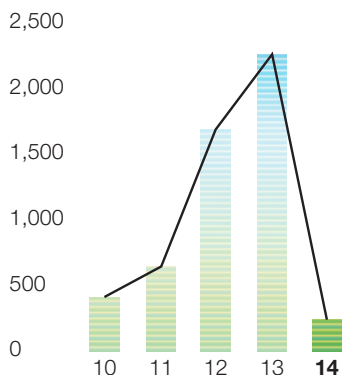
Total debt / EBITDA
(%)



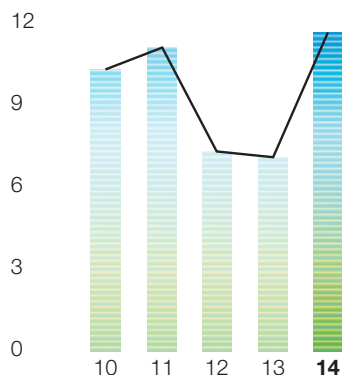
- (1) EBITDA is calculated by adding taxes, depreciation and amortization, and finance cost, excluding other income other than government subsidies to profit for the year.
- (2) EBITDA margin is calculated by dividing EBITDA by turnover for the relevant year, expressed as a percentage.
- (3) CAPEX includes capital expenditures on property, plant and equipment, intangible assets and prepaid land lease payments.
- (4) Total debt is the sum of current and non-current borrowings, convertible bonds and senior notes.
- (5) Total capital includes total non-current borrowings plus total equity.

KEY FIGURES FIVE YEAR FINANCIAL SUMMARY

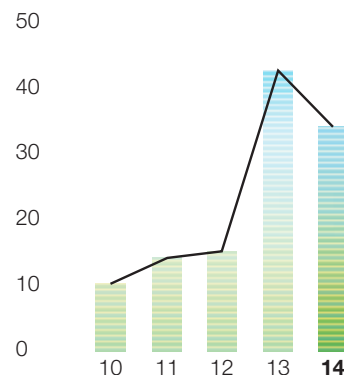
EBITDA-CAPEX
(RMB Million)



CAPEX / Turnover
(%)



EBITDA / Interest expense



	Formula	2014	2013	Change in Percentage Increase/ (Decrease)
For the year				
Turnover (RMB'000)		21,738,358	28,707,571	(24)
Profit attributable to equity holders of the Company (RMB'000)	(1)	1,430,588	2,663,136	(46)
Per share				
Basic earning per share (RMB cents)		16.25	31.74	(49)
Diluted earning per share (RMB cents)		16.25	30.42	(47)
Dividend per share (HK cents)		2.5	4.6	(46)
Net asset value (NAV) per share (RMB)	(2)/(5)	1.96	1.83	7
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	17,287,996	16,068,024	8
Total assets (RMB'000)	(3)	37,280,150	33,599,308	11
Borrowings (including Senior Notes) (RMB'000)	(4)	2,511,754	965,565	160
Number of shares in issue	(5)	8,801,446,540	8,801,446,540	0
Share price during the year				
– High (HK\$)		3.77	4.75	(21)
– Low (HK\$)		2.43	2.84	(14)
Financial ratios				
Gearing ratio	(4)/(2)	14.5%	6.0%	142
= (Borrowings/Equity attributable to equity holders of the Company)				
Return on total assets	(1)/(3)	3.8%	7.9%	(52)
Return on equity attributable to equity holders of the Company	(1)/(2)	8.3%	16.6%	(50)



EDITORIAL

CHAIRMAN'S STATEMENT



Our profit attributable to equity holders for 2014 was RMB1.43 billion, representing a decrease of 46% over 2013, mainly driven by the sharp decline in vehicle sales in some of our major export markets, the reshuffle of our sales and marketing system in China, and the unrealized foreign exchange loss recognized by our subsidiary in Russia.

BUSINESS OVERVIEW

China's passenger vehicle market achieved a stable growth in 2014, featured by slowdown in the growth of demand for sedans and continued strong demand for Sport Utility Vehicles ("SUVs") and Multi-Purpose Vehicles ("MPVs"). Although the sales of indigenous brand passenger vehicles had steadily recovered since September 2014, its growth continued to lag behind the foreign joint venture brands. The sales volume of indigenous brand passenger vehicles grew 4.1% year-on-year ("YoY") in 2014, compared with the 9.9% YoY growth of the overall China passenger vehicle market according to China Association of Automobile Manufacturers.

The sales volume of our group in the China market was down 16.8% YoY in 2014 amid the implementation of a series of major structural reforms in our sales and marketing functions started from mid-2013 through 2014. The performance of our group's export sales was also seriously challenged, mainly due to the political instability in some of its major export markets, and the weakening of emerging market currencies against United States Dollar ("US\$") in 2014. Despite this, our group continued to improve its competitive advantages and achieved good market shares in most of its major export markets in 2014, reflecting the improved competitiveness of its products. Our group's export sales volume achieved a 49.8% YoY decline in 2014 but this contributed a respectful 11.2% of the total export of China's passenger vehicles in 2014 according to China Association of Automobile Manufacturers, making us one of the leading vehicle exporters in China.

EDITORIAL CHAIRMAN'S STATEMENT

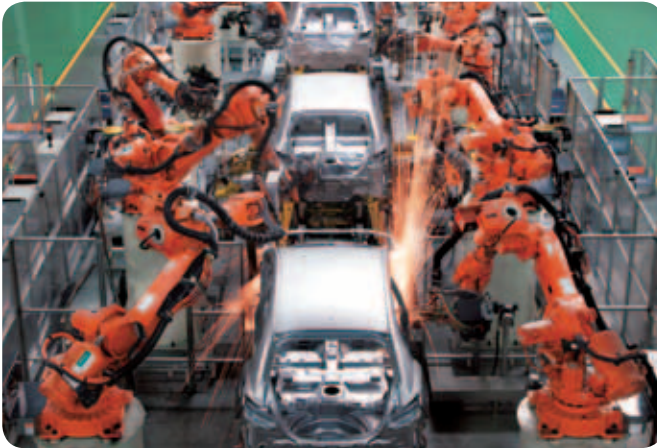


Our group sold a total of 417,851 units of vehicles in 2014, down 24.0% from 2013, of which 14.3% or 59,721 units were sold abroad, down 49.8% from last year. In the Chinese market, our group's sales volume in 2014 was down 16.8% from last year to 358,130 units. "EC7", together with "Xindihao" (an upgraded version of "EC7" launched in late July 2014), "Geely Kingkong" and our SUV model "GX7" were the major contributors to our group's sales volume in 2014.

FINANCIAL REVIEW

Our group's financial performance in 2014 was below expectations with total revenue decreased by 24% to RMB21.7 billion for the year ended 31 December 2014. This was due to the slower sales volume caused by the reshuffle of our group's sales and marketing system in China, and the deterioration in political and economic environment in some of our major export countries. Our group's average per unit sales price improved slightly in 2014 as the improvement in product mix (i.e. higher proportion of higher-priced models) more than offset the discounts offered to domestic dealers during the year. The flagship mid size sedan model "EC7", together with its upgraded version named "Xindihao", remained our group's most popular models in terms of sales volume, accounting for 38.9% of its total sales volume in 2014. Total net profit of our group was down 46% from RMB2.68 billion in 2013 to RMB1.45 billion in 2014 due to decline in overall sales volume and the unrealized foreign exchange loss at our Russia subsidiary. After accounting for non-controlling interests, our net profit attributable to shareholders was down 46% from RMB2.66 billion in 2013 to RMB1.43 billion in 2014. Diluted earnings per share was down 47% to RMB16.25 cents. Despite this, our group continued to generate good operational cash flow during the year. The issuance of US\$300 million 5.25% five-year senior notes in October 2014 further strengthened our financial position with total cash level (bank balances and cash + pledged bank deposits) increasing 30% to RMB7.25 billion at the end of 2014.

EDITORIAL CHAIRMAN'S STATEMENT



DIVIDEND

The Board recommends the payment of a final dividend of HK\$2.5 cents per share for 2014 (2013: HK\$4.6 cents).

PROSPECTS

Despite increasing challenges and fierce competition in both our domestic and export markets, we have achieved initial success in our product development and the restructuring of sales and marketing functions, further enhancing the quality of our products and services and improving the efficiency of our sales and distribution capabilities. Dedicated to the mission of 'Creating Fine Cars for Everybody' (造每個人的精品車) under "Geely" brand, I have no doubt that the successful execution of these changes would lead our group entering into a new development era (i.e. 'New Geely Era' (新吉利時代)) and becoming a much stronger Geely in the future.

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

I firmly believe that our group is on the right track to achieve its long-term goal of becoming a leading global automobile group with good reputation and integrity, winning respects from our customers. Finally, I would like to pay tribute to all our staff for their hard work and achievements during 2014 and to our shareholders for their continued support.

Li Shu Fu

Chairman

18 March 2015



**MANAGEMENT
REPORT**

MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

OVERALL PERFORMANCE

The Group embarked on a major restructuring of its sales and marketing system in 2014 with an aim to improve its product quality and services and to further improve customer satisfaction. Coupled with the intense competition in the domestic automobile market and further deterioration in political environment in some of its major export countries, the Group's sales performance in 2014 was below the management's expectations. The Group's sales volume in the China market was down 16.8% from last year, compared with 9.9% year-on-year ("YoY") growth in China's passenger vehicle market in 2014 according to China Association of Automobile Manufacturers. Exports sales volume of the Group decreased by 49.8% YoY, compared to the 10.6% YoY decline of the overall passenger vehicle exports from China according to China Association of Automobile Manufacturers. Overall, the Group sold a total of 417,851 units of vehicles in 2014, down 24.0% from 2013. Total revenue dropped by 24% to RMB21.7 billion in 2014, reflecting the lower sales volume during the year. This, coupled with the significant unrealized foreign exchange loss recognized by the Group's subsidiary in Russia, caused the Group's profit attributable to the equity holders to drop by 46% to RMB1.43 billion in 2014. During the year, government grants and subsidies up 12% to RMB0.9 billion from last year. The government grants and subsidies mainly related to cash subsidies (excluding any asset-related subsidies) in respect of operating and research and development activities from the governments.



MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

DISPOSALS OF DSI, HUNAN JISHENG AND SHANDONG GEARBOX

In order for the Group to focus on the production of vehicles and related components in China, and the consolidation of all the Chinese-based and overseas research and development and production activities of automatic transmissions with other group members of Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司) (“Geely Holding”, together with its subsidiaries, collectively the “Geely Holding Group”), a company wholly owned by Mr. Li Shu Fu, the chairman and executive director of the Company, and his associate, the Company and Geely Holding entered into a memorandum of understanding on 30 May 2014 in relation to the proposed disposals of DSI Holdings Pty Limited (“DSI”), Hunan Jisheng International Drivetrain System Company Limited (湖南吉盛國際動力傳動系統有限公司) (“Hunan Jisheng”) and Shandong Geely Gearbox Company Limited (山東吉利變速器有限公司) (“Shandong Gearbox”), collectively the “disposal group”. On 21 July 2014, the Company and its two indirect 99% owned subsidiaries entered into definitive sales and purchase agreements in relation to the disposals of DSI, Hunan Jisheng and Shandong Gearbox, at considerations of Australian dollars (“AUD”) 88,353,755 (equivalent to approximately RMB474,375,000), RMB85,500,000 and RMB100,000,000, respectively. The considerations for the disposal group was determined with reference to (i) the proportionate interest in the unaudited net assets value of the disposal group as of 30 April 2014; (ii) the amount of outstanding loan to be assigned to the purchaser (applicable to the disposal of DSI only); and (iii) the business and future prospects of the disposal group. As the disposal group is disposed of to related companies with a common beneficiary shareholder, the net gain on disposal of around RMB76.7 million is recognized as the movement in capital reserve. Upon completion of the disposals before October 2014, each of the disposal group ceased to be a subsidiary of the Company and its accounts ceased to be consolidated with the financial statements of the Group.

Upon completion of the disposals, there will be more efficient pooling of resources that will avoid duplication in costs and investments and eventually create better synergies between the Group and Geely Holding Group in the future as a result of more distinct segregation in their provision of expertise and nature of services, which in turn, is expected to enhance the Group’s profitability in the long term.

ISSUANCE OF US\$300 MILLION 5.25% SENIOR NOTES DUE 2019

In October 2014, the Company issued US\$300 million senior notes bearing an interest rate of 5.25% per annum payable semi-annually in arrear due 2019 at par (“Senior Notes”), raising the net proceeds of US\$296 million. The Company intended to use the net proceeds to refinance certain of its existing indebtedness, most of which are short-term working capital loans, to fund the expansion its business and for other general corporate purposes. The Senior Notes have been rated by two international credit rating agencies, Standard & Poor’s, gave the Company and the Senior Notes a credit rating of “BB+” with stable outlook; and Moody’s Investors Service, gave the Company and the Senior Notes a credit rating of “Ba2” with stable outlook.

The successful issuance of the Senior Notes not only broadened the financing channels of the Group, but also enhanced its transparency in the international capital markets, which together laid a solid foundation for the Group’s sustainable development in the future.

During 2014, the Company utilized around US\$59.7 million (equivalent to approximately RMB365.4 million) of the net proceeds to repay some indebtedness of the Group.

MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

FORMATION OF JOINT VENTURE - XIN DAYANG ELECTRIC VEHICLES COMPANY LIMITED (新大洋電動車有限公司) – TO ENGAGE IN ELECTRIC VEHICLE BUSINESS

On 8 January 2015, the Group agreed with independent third parties to set up a 50:50 joint venture – Xin Dayang Electric Vehicles Company Limited. The joint venture will be engaged in the research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services in China. The registered capital of the joint venture will be RMB1,000 million and the Group intended to contribute the entire equity interest in Lanzhou Geely Automobile Industrial Company Limited (蘭州吉利汽車工業有限公司 or “Lanzhou Geely”), its indirect 99% owned subsidiary, valued at RMB500 million as its contribution to the registered capital of the joint venture. The contribution of Lanzhou Geely to the joint venture will be a deemed disposal of a subsidiary for the Company.

The formation of the joint venture will combine the strengths of the Group’s expertise on vehicle manufacturing and the expertise of other joint venture partners in the development of the electric vehicles and offer a platform of strength for the parties to explore and develop the electric vehicles market in China. Since the Group will not have control of the board of directors of the joint venture and the shareholding interest of the Group is only 50%, the joint venture will be treated as a joint venture of the Group and the financial results of the joint venture will be equity accounted for in the consolidated financial statements of the Company.

ACQUISITION OF 100% INTEREST IN ZHEJIANG JIRUN CHUNXIAO AUTOMOBILE COMPONENTS COMPANY LIMITED (浙江吉潤春曉汽車部件有限公司 OR “CHUNXIAO AUTOMOBILE”)

On 6 February 2015, the Group conditionally agreed to acquire the entire registered capital of Chunxiao Automobile from a group member of its parent – Geely Holding for RMB1,138 million. The consideration was determined with reference to the net assets value of the 100% interest in the registered capital of Chunxiao Automobile as at 31 January 2015 and the Group intended to fund the acquisition through its internal cash reserve. As at the date of this report, the acquisition is still subject to the approval of the independent shareholders of the Company at the extraordinary general meeting to be held on 31 March 2015.

It is expected that the acquisition will provide an opportunity for the Group to enhance its production capabilities for the manufacture of new high-end sedan and SUV models as the Group’s existing manufacturing plants do not have the required production capabilities to manufacture these new high-end sedan and SUV models. Also, it is expected that after completion of the acquisition, the launch of new high-end sedan and SUV models will expand the Group’s products offering and enhance the overall competitive strength of the Group’s products. These new high end products are expected to become one of the key drivers for the Group’s future profitability.

MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

VEHICLE FINANCING JOINT VENTURE WITH BNP PARIBAS PERSONAL FINANCE OBTAINED PHASE 1 APPROVAL

In February 2015, the Company has received the approval from the China Banking Regulatory Commission (the “CBRC”) to start the set-up (the “Phase 1 Approval”) of the joint venture (“Vehicle Financing Joint Venture”) to engage in vehicle financing business in China. The Vehicle Financing Joint Venture with a registered capital of RMB900 million will be owned as to 80% (or RMB720 million) by the Company and as to 20% (or RMB180 million) by BNP Paribas Personal Finance.

Pursuant to the Phase 1 Approval, the Company may start the set-up of the Vehicle Financing Joint Venture with BNP Paribas Personal Finance within six months from the date of such approval. Upon completion of the set-up, the Vehicle Financing Joint Venture will officially apply for commencement of operations (the “Phase 2 Application”) with the CBRC. The wholesale financing business of the Vehicle Financing Joint Venture is expected to start as soon as the Phase 2 Application is approved by the CBRC and the relevant Chinese authorities whilst the retail financing business of the Vehicle Financing Joint Venture will be started by the end of 2015.

It is expected that the Vehicle Financing Joint Venture will enable the Group to provide a full range of quality automotive financing services to its customers, which in turn, will help strengthen its competitiveness and promote the sales of its vehicles in China.

DISPOSALS OF 5-SPEED MANUAL TRANSMISSIONS (“5MTs”) AND 6-SPEED MANUAL TRANSMISSIONS (“6MTs”) ASSETS

In order for the Group to further consolidate its business and focus on the production of vehicles in China, the Company

and Zhejiang Wanliyang Transmission Co., Ltd. (“WLY”, a leading transmission company established in China, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002434)) entered into an agreement on 4 March 2015 to dispose of assets, mainly the plant and machinery and intangible assets, relating to the 5MTs and 6MTs at a consideration of RMB300 million, which was determined after the arm’s length negotiations between the parties. Upon completion of the disposal, the Group will no longer be involved in the development and production of 5MTs and 6MTs as WLY, by leveraging its expertise in transmission business, will supply these products to the Group and also work on their upgrades. It is expected that the disposal will help the Group to streamline its business, reduce costs and avoid the divergence of resources to the non-core business of the Group.

FINANCIAL RESOURCES

Total capital expenditures for the Group amounted to RMB2.5 billion in 2014, 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 RMB494 million during 2014 to RMB988 million at the end of 2014 due to increase in trade receivables from customers, more than offsetting the increase in trade payables from suppliers and the decrease in inventories. At less than 5% of revenue in 2014, the Group’s year-end working capital remained very healthy. This, combined with good operational cash inflow from the Group’s manufacturing operations and the issuance of US\$300 million 5.25% 5-year Senior Notes in October 2014, resulted in 30% increase in total cash level (bank balances and cash + pledged bank deposits) to RMB7.25 billion. The Group’s total borrowings (including bank borrowings and Senior Notes) increased by over twofold to RMB2.5 billion, mainly attributable to the issuance of Senior Notes in October 2014. At the end of 2014, the financial position of the Group remained strong with net cash on hand (total

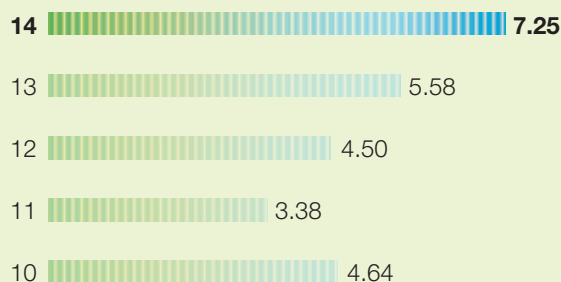
MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

cash level – bank borrowings – Senior Notes) of RMB4,739 million versus a net cash level of RMB5,644 million six months ago. At the end of 2014, the majority of the Group’s total borrowings were denominated in RMB and US\$. These were well matched by the currencies of the Group’s bank balances and cash and currency mix of the Group’s revenues, which were mainly denominated in RMB and US\$, respectively. In addition, net notes receivable (bank notes receivable – bank notes payable) at the end of 2014 amounted to RMB8,856 million, which could provide the Group with additional cash reserves when needed through discounting the notes with the banks.

Budgeted capital expenditures of the Group amount to about RMB2.6 billion in 2015, including the funding for the research and development of new vehicle platforms and models, acquisition of Chunxiao Automobile, and the financing of the expansion and upgrading of production facilities at existing plants. The Group plans to fund capital expenditures from its operational cash flow, 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.

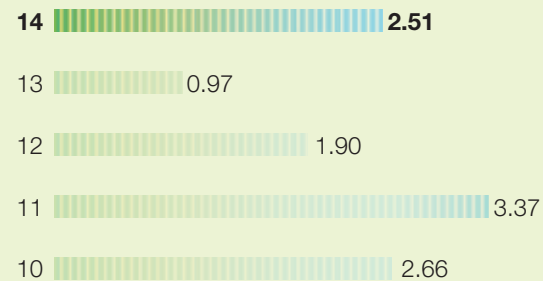
Cash and Bank Balances

RMB Billion
At 31 December



Total Borrowings (Including Senior Notes but excluding Convertible Bonds)

RMB Billion
At 31 December



VEHICLE MANUFACTURING

The Group sold a total of 417,851 units of vehicles in 2014, down 24.0% from last year. The Group’s sales volume in 2014 was primarily supported by the good demand for sedan models like “EC7” and its upgraded version “Xindihao”, “Geely Kingkong” as well as Sport Utility Vehicles (“SUVs”) model like “GX7”. The Group launched its third SUV model, “GX9” (a full size SUV), in mid-October 2014 through an electronic business platform for the first time. According to China Association of Automobile Manufacturers, the demand for SUVs in China continue to record a robust growth in 2014. With the expansion of its SUV production facilities in Chengdu completed in mid-2013, coupled with its planned launches of two more SUV models in 2015 and the addition of more SUV production facilities, the Group’s SUV models should continue to be one of the important growth drivers of the Group’s overall sales volume in the coming years.

Although the Group’s domestic sales had steadily recovered since August 2014, the Group’s domestic sales volume in 2014 was still down 16.8% from last year to 358,130 units, compared to the 3.1% increase in the sales volume of China’s sedan market during the same period. As a result, the Group’s market share in China’s passenger vehicles market was down from 3.1% in 2013 to 2.1% in 2014, while

MANAGEMENT REPORT PERFORMANCE & GOVERNANCE



the Group's market share in China's SUV segment was down from 1.8% in 2013 to 1.3% in 2014. Exports sales volume of the Group decreased by 49.8% to 59,721 units in 2014 and accounted for 14.3% of the Group's total sales volume during the year. The Group's share of China's total export of passenger vehicles decreased from 20.1% in 2013 to 11.2% in 2014.

The Group started a major restructuring of its sales and distribution system in China in 2014: it is expected that the previous three product brands, "GLEalge", "Emgrand" and "Englon", will gradually be consolidated into a single brand called "Geely" within 2 years. In this respect, the existing sales channels were evaluated before further integration or streamlining, thus enabling the Group to provide its customers with better quality services. At the end of 2014, the Group's had more than 700 dealers in China.

During the year, demand for "EC7" continued to be very strong. This, together with the good market response to its upgraded version "Xindihao", made these models the Group's best-selling models in 2014. The combined sales volume of "EC7" and "Xindihao" was 162,613 units. "Xindihao" had been receiving very good market response since its launch – it was ranked amongst the best selling models in the indigenous brand sedan market segment in

September 2014 and become the best-seller in the segment in December 2014. "Xindihao" was the only indigenous brand sedan model in the top 10 best-selling sedan models in China's sedan market in the third quarter of 2014. Overall, "EC7" and its upgraded version "Xindihao" collectively accounted for 38.9% of the Group's total sales volume in 2014.

Ahead of the introduction of new versions of aging models like "Free Cruiser", "Vision" and "SC6" in the coming years, their sales volume continued the downward trend in 2014. The aggregate sales volume of three SUV models namely "GX7", "SX7" and newly launched "GX9" reached 63,300 units in 2014, down 1.6% from last year. Two more SUV models will be introduced to the market by the Group in 2015. This should enable the sales volume of the Group's SUV models to resume growth in 2015.

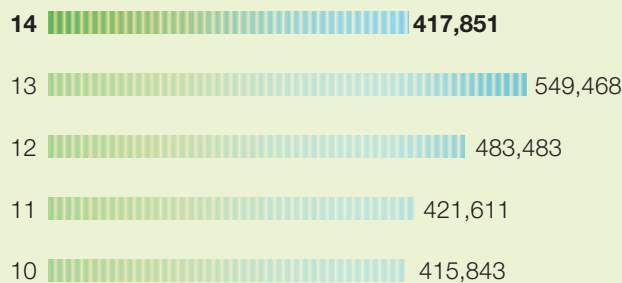
The Group's ex-factory average selling price improved slightly in 2014 as the improvement in product mix (i.e. higher proportion of higher-priced models) more than offset the discounts offered to domestic dealers during the year.

In "J.D. Power Asia Pacific 2014 China Customer Service Index (CSI) StudySM", which analyzed after-sales dealer service satisfaction by vehicle owners, the "Geely" brand continued to score above the industry average with its score improving to 847 compared with the average score of 839 achieved by the Group's three brands in 2013. Amongst all the local brands in China, "Geely" ranked number five. In terms of overall ranking, "Geely" achieved number 17 position among the 67 passenger vehicle brands examined by the study. In addition, the Group's ranking in product quality continued to improve in 2014, further narrowing its quality gap with the international brands. In "J.D. Power Asia Pacific 2014 China Initial Quality StudySM (IQS)", which examined problems in relation to design, defects and malfunctions experienced

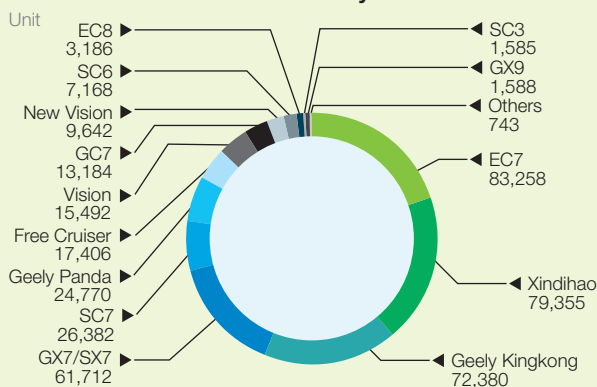
MANAGEMENT REPORT PERFORMANCE & GOVERNANCE

Annual Sales Volume

Unit



Breakdown of Sales Volume by Models in 2014



by new-vehicle owners, the Group's "Free Cruiser" ranked number 3 in compact vehicle segment. In "J.D. Power Asia Pacific 2014 China Automotive Performance, Execution and Layout (APEAL) StudySM", which measured how gratifying a new vehicle is to own and drive based on owner evaluations during the first two to six months of ownership, "Free Cruiser" ranked number 1 in compact vehicle segment. In "J.D. Power Asia Pacific 2014 China Vehicle Dependability StudySM" (VDS), which measured problems experienced by original owners of vehicles after 37 to 48 months of ownership, "Geely Kingkong" ranked number 1 in compact vehicle segment.

COOPERATION WITH VOLVO CAR

The Group's cooperation with Volvo Car Corporation ("Volvo Car") made remarkable progress in 2014. The key platform and infrastructure to facilitate the cooperation is an independent research and development centre called CEVT (China-Euro Vehicle Technology AB) located in Lindholmen Science Park in Gothenburg, Sweden. Officially opened in September 2013, CEVT is currently staffed by 300 resident engineers and about 600 consultants. 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 vehicle, 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. Kandi Electric Vehicles Group Co., Ltd (康迪電動汽車集團有限公司) (formerly known as "Zhejiang Kandi Electric Vehicles Co., Ltd." (浙江康迪電動汽車有限公司)) (a 50:50 joint venture set up in 2013), together with another 50:50 joint venture to be set up with independent third parties in 2015 will pave the road for the Group's 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 full range of new energy vehicles to

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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 2015, the Group plans to launch the following new models:

- "GC9" B class (mid size) sedan (i.e. "Bo Rui" or "博瑞");
- "Emgrand" electric vehicle;
- "Emgrand" full size SUV;
- Compact SUV; and
- "SC7" upgraded version.

EXPORTS

The Group's major export markets like Russia, Ukraine and the Middle East saw a material slowdown in motor vehicle demand in 2014 as a result of adverse economic and political environment in these markets. The Group exported a total of 59,721 units of vehicles in 2014, down 49.8% from 2013. Exports accounted for 14.3% of the Group's total sales volume during the year. The Group's share of China's total exports of passenger vehicles decreased from 20.1% in 2013 to 11.2% in 2014. "EC7" remained the most popular export models in terms of sales volume in 2014, accounting for 44.5% of the Group's total exports during the year. The export volume of "EC7", however, decreased by 57.2% to 26,610 units in 2014. The Group exported a total of 10,093 units of SUV model "Emgrand X7" ("GX7") in

Existing Production Facilities

Name	Interests	Usable Annual Production Capacity (Units Per Shift)	Models
Linhai plant	99.0%	50,000	Geely Panda (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%	230,000	Free Cruiser (1.3L, 1.5L) Xindihao (1.3L, 1.5L) EC7 (1.3L, 1.5L) EC7-RV (1.3L, 1.5L)
Lanzhou plant	99.0%	40,000	Free Cruiser (1.3L, 1.5L) SC3 (1.3L)
Xiangtan plant	99.0%	100,000	New Vision (1.3L, 1.5L) SC7 (1.5L) GC7 (1.5L)
Jinan plant	99.0%	50,000	EC8 (2.0L)
Chengdu plant	99.0%	100,000	GX7 (1.8L, 2.0L, 2.4L) GX9 (1.8L, 2.0L, 2.4L)
Total		670,000	

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2014. With the initial good response to “Emgrand X7” and other SUV models, the management expects there will be further growth of “Emgrand X7” and other SUV models in the Group’s major export markets in 2015.

Developing countries in the Eastern Europe, Central and South America and the Middle East remained the most important export markets. Amongst which, the most important export destinations in terms of sales volume in 2014 were Egypt, Russia, Belarus, Saudi Arabia, Iran and Uruguay, which together accounted for 79% of the Group’s total exports volume in 2014. In addition to direct exports of vehicles from China, the Group also assembles some models sold overseas through joint venture or original equipment manufacturer arrangements with local partners in Russia, Egypt, Ethiopia, Sri Lanka, Iraq and Indonesia. At the end of 2014, the Group exported its products to 35 countries through 38 exclusive sales agents and 476 sales and service outlets in these countries.

During the fourth quarter of 2014, the Group’s subsidiary in Russia recorded an unrealized foreign exchange loss as a result of the abrupt depreciation of Russian Rouble (“RUB”) against US\$ and RMB. It arose from the Group’s exposure to the currency transaction risk in its Russian operation which was associated with the revenue derived from sales in Russia against costs mainly incurred and denominated in RMB as substantial part of the inventories being manufactured in China. The Group had started the restructure of its Russian operations aiming to reduce its financial risks in the country. Further, the Group had started to increase the retail selling prices of its vehicle models in Russia, hoping to offset the depreciation of RUB against RMB. Longer-term, the Group will speed up the localization of production in its major export markets to reduce foreign exchange risks in these markets.

In 2015, the Group will strengthen its competitiveness in the Eastern European market by way of localization of production through its joint venture plant in Belarus called “BelGee”. The 35.6%-owned joint venture (“JV”) was officially set up in July 2013. The other shareholders of the JV include: Belarusian Autoworks (BelAZ) (54.8%) and Soyuzavtoteknologii (SOYUZ) (9.6%). 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”.

The Group’s market penetration in Central and Southern American market continued, as 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 Uruguay plant started assembling “Geely LC” (“Geely Panda”) and “Emgrand 7” (“EC7”) for sales in the Central and Southern American market in 2014. With the support from the Uruguay plant, the Group will explore opportunities to sell its vehicles in other Central and Southern American markets.

Despite the Group’s recent investments to speed up 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. The devaluation of local currencies could also result in foreign exchange losses at countries where we have set up local

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subsidiaries, associates or joint ventures. 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 to engage in local business activities. Further, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

OUTLOOK

Although challenges remain in 2015 in view of the rapid changes in economic and regulatory environment in China, this year appears to be a better year for Geely given the initial success of the reshuffle of its sales and marketing system in China. The restructuring has improved the efficiency of the Group's overall distribution capabilities. This, together with the speeding up of the launch of new and upgraded version of vehicle models in China, should enable the Group to achieve better performance in the China vehicle market. The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in China could put tremendous cost pressure on indigenous brands in China. Further, more major cities in China had started 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 as their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to curb the number of new vehicles.

The outlooks for its major export markets are mixed. Motor vehicle markets in Russia, Ukraine and the Middle East have seen a material slowdown in 2014 due to political and social instability. Passenger vehicle demand in Russia has stabilized



but frequent regulatory changes, weakening currencies and political uncertainties could continue to disrupt vehicle sales in the country. Enactment of tax changes in Brazil, Ukraine and Russia would also augment uncertainty for export sales to these markets. As a result, the Group's exports business could continue to face challenges in 2015.

On the positive front, the Group's overall competitiveness and management capabilities have 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 good operational cash flow and the issuance of US\$300 million 5.25% five-year senior notes in October 2014. This should allow the Group to continue investing for the future in response to the market reaction more flexibly, further enhancing its core strength in powertrain technologies, product quality, customer satisfaction and supply chains. This together with an improved distribution capabilities, should have put the Group in a much stronger position to meet any challenges.

2015 should continue to see investments by the Group in the area of new energy vehicles and the application of internet, computer and mobile communication technologies in its products and services in view of a series of supporting

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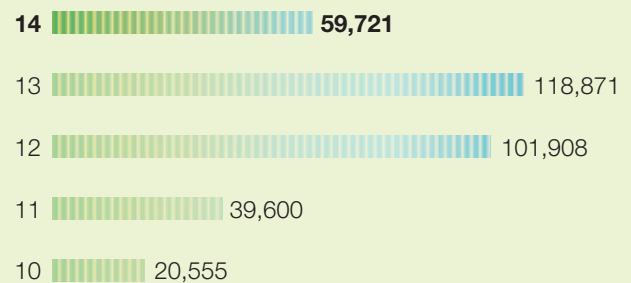
policy measures from the government. According to China Association of Automobile Manufacturers, sales of electric vehicles in China increased by more than threefold in 2014. The Group's strategy is to leverage on the strength, resources and expertise of leading industry players to speed up the Group's electric vehicles product offering.

In 2015, the Group plans to offer more automatic transmission options to its customers and will continue to offer more fuel-efficient solutions such as turbo-charged engines for some of its models, thus enhancing the attractiveness of its products. With the substantial investment in new technologies like turbo-charged engines over the past few years, the Group's 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. New powertrain technologies and new products should continue to support the Group's overall sales volume growth in 2015. 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 its sales.

The Group's Board of Directors set the sales volume target of the Group in 2015 at 450,000 units, up around 8% from 2014.

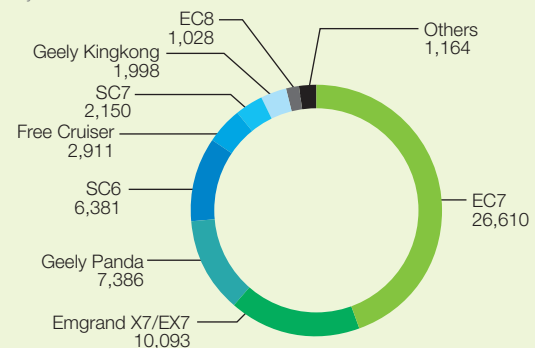
Export Sales Volume

Unit



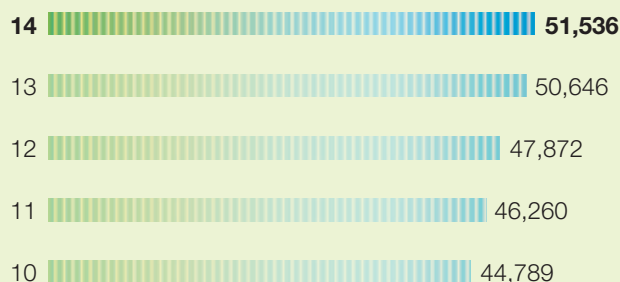
Breakdown of Export Sales Volume

By Models in 2014



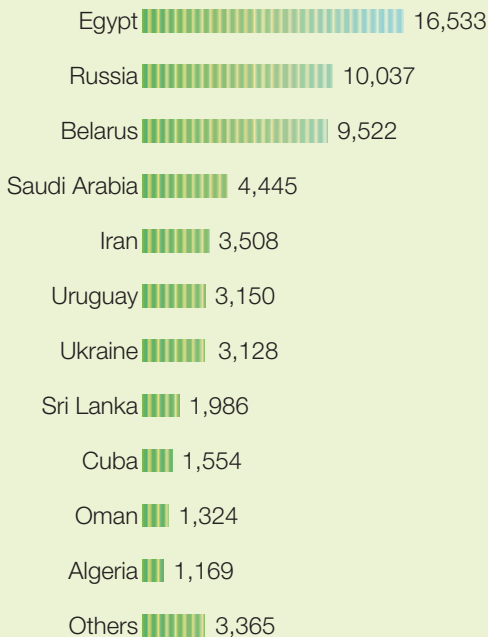
Average Pre-tax Ex-Factory Prices

RMB per unit



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Top Export Destinations in 2014



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 2014, the Group's shareholders' funds amounted to approximately RMB17.3 billion (as at 31 December 2013: approximately RMB16.1 billion). The Company did not issue any ordinary shares during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

In terms of export operations, most of the Group's export sales were denominated in US\$ during the year. Also, the Group could face foreign exchange risk, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group's competitiveness and therefore its sales volume in these markets. During the fourth quarter of 2014, the Group's subsidiary in Russia recorded an unrealized foreign exchange loss as a result of the abrupt depreciation of RUB against US\$ and RMB. It arose from the Group's exposure to the currency transaction risk in its Russian operation which was associated with the revenue derived from sales in Russia against costs mainly incurred and denominated in RMB as substantial part of the inventories being manufactured in China. To mitigate the foreign exchange risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

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

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LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's current ratio (current assets/current liabilities) was about 1.42 (as at 31 December 2013: 1.29) and the gearing ratio of the Group was about 14.5% (as at 31 December 2013: 6.0%) which was calculated on the Group's total borrowings (including the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). As at 31 December 2014, the increase in receivables (in particular, the notes receivable) was (a) mainly due to steady recovery of the Group's domestic sales 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 total 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 2014. In addition, in order to secure an adequate supply of automobile parts and components (in particular, steel, out-sourced engines and other high-end electronic parts and components) from the Group's supply chain during the peak season in the fourth quarter of 2014, the Group had to prepay these inventories to its suppliers towards the end of 2014. Separately, the increasing demand for the Group's new 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 2014, the receipts in advance from customers represented almost 12% (as at 31 December 2013: 9%) of the total current liabilities. Accordingly, the net effect of the above resulted in an increase in current ratio at the end of year 2014 over the previous year.

Total borrowings (including Senior Notes but excluding trade and other payables) as at 31 December 2014 amounted to approximately RMB2.5 billion (as at 31 December 2013: approximately RMB1.0 billion) were mainly the Group's borrowings and Senior Notes. At the end of 2014, the majority of the Group's total borrowings were denominated in RMB and US\$. They were well matched by the currencies of the Group's bank balances and cash and currency mix of the Group's revenues, which were mainly denominated in RMB and US\$, respectively. For the borrowings, except for Senior Notes issued during the year, they were mostly secured, interest-bearing and repaid on maturity. The increase in gearing ratio during the year was mainly due to a combination of (a) the issue of Senior Notes in October 2014; and (b) the increase in equity as a result of profit attained by the Group during the year of 2014. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2014, the total number of employees of the Group was about 18,481 (as at 31 December 2013: 18,138). 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 China. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

MANAGEMENT REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 51, 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 sale of automobiles and related parts and components wholesale and retail business. Mr. Li has over 28 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 China Automotive News (中國汽車報).

Mr. Yang Jian, aged 53, 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 51, 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 was also the chairman of DSI Holdings Pty Limited, a former wholly-owned subsidiary of the Company. He is an independent non-executive director of Radford Capital Investment Ltd. (HK Stock Code: 901). Mr. Gui has over 28 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.

MANAGEMENT REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. An Cong Hui, aged 45, 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 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 55, 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. Mr. Ang is a non-executive director of Honbridge Holdings Limited (HK Stock Code: 8137). He was an independent non-executive director of Genvon Group Limited (HK Stock Code: 2389).

Mr. Liu Jin Liang, aged 50, 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 20 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 the PRC.

Ms. Wei Mei, aged 46, 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

MANAGEMENT REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILES

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 DIRECTORS

Mr. Carl Peter Edmund Moriz Forster, aged 60, joined the Group on 9 January 2013 as a Non-executive Director. Mr. Forster is the chief consultant to a member of Geely Holding and he has been appointed a member of the board of directors of Volvo Car Corporation since February 2013. Mr. Forster has over 29 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 non-executive director of Rexam plc (LSE Stock Code: REX), the chairman of the supervisory board, member of the investment committee and partner of Lead Equities AG, a member of the Verwaltungsrat and a substantial shareholder of The Mobility House AG, the chairman of the supervisory board and a substantial shareholder of ZMDi AG, the chairman of Friedola Tech GmbH, the chairman of London Taxi Corporation, a non-executive director of Cosworth Ltd., and a non-executive director of Gordon Murray Design.

Mr. Ran Zhang, aged 48, joined the Group on 28 March 2014 as an Executive Director and re-designated as a Non-executive Director with effect from 30 December 2014. Mr. Zhang has extensive professional experience in the automotive industry and had held senior management positions with multinational automobile companies in both the developed markets and the PRC. Mr. Zhang joined Geely Holding in March 2010 and was a core member of Geely Holding responsible for overseas merger and acquisition and financing activities. Prior to joining Geely Holding, Mr. Zhang had been with the Ford Motor Company (“Ford”) from 1995 to 2010 and had various managerial roles in North America and the PRC. Between 2005 and 2010, he was seconded from Ford and appointed the corporate controller and

MANAGEMENT REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILES

director of planning and financial management for Jiangling Motor Company (listed in the Shenzhen Stock Exchange A Share Code: 000550, B Share Code: 200550) and in early 2010, Mr. Zhang was seconded from Ford and appointed the Corporate Controller of Changan Ford Mazda Automotive Company. Mr. Zhang graduated from the Boston University in the U.S.A., with a Doctor's Degree in Economics in 1996 and was granted a Master's Degree in Political Economy from the same university in 1993 after graduation from the University of International Business and Economics in the PRC, with a Bachelor's Degree in Economics in 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheuk Yin, Dannis, aged 44, 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 22 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 65, joined the Group as an Independent Non-executive Director on 6 June 2005. Mr. Yeung is presently the chief executive officer of LW Asset Management Advisors Ltd. (formerly known as 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) Limited ("DBS Vickers"). Mr. Yeung is a MBA graduate from the University of Southern California and brings with him more than 32 years of experience in the financial services industry. Prior to joining DBS Vickers, 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 the division of Greater China Equities and the managing director of Deutsche Securities Hong Kong.

Mr. Fu Yu Wu, aged 70, joined the Group as an Independent Non-executive Director on 30 December 2011. Mr. Fu is the president of Society of Automotive Engineers of China and is also the chairman of China Auto Talents Society, and vice chairman of China Association of Automobile Manufacturers. Mr. Fu is also an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (HK Stock Code: 2238; Shanghai Stock Exchange Stock Code: 601238) and an independent non-executive director of BAIC Motor Corporation Limited (HK Stock Code: 1958). He was the independent director of Henan Province Xixia Automobile Water Pump Co Ltd. (Shenzhen Stock Code: 002536), Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd., (Shenzhen Stock Code: 002284), and Shandong Gold Phoenix Co., Ltd (a company incorporated

MANAGEMENT REPORT

DIRECTORS AND SENIOR MANAGEMENT PROFILES

in the PRC with limited liability). 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. An Qing Heng, aged 70, joined the Group as an Independent Non-executive Director on 17 April 2014. Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Since after graduation from the Faculty of Agricultural Machinery (currently known as the Faculty of Automotive Engineering) of Tsinghua University with a professional qualification in automotive tractors and engines in 1968, he had worked with Beijing Gear Works Factory (北京齒輪總廠), Beijing United Automobile and Motorcycle Manufacturing Company (北京汽車摩托車聯合制造公司) and Beijing Automotive Industry Company (北京汽車工業總公司) in various important positions as vice factory director, chief engineer and general manager. He then served as the chairman and the Communist Party Committee Secretary (黨委書記) of Beijing Automotive Industry Holding Company Limited (北京汽車

工業控股有限責任公司); and was once concurrently the chairman of Beiqi Foton Motor Company Limited (北汽福田汽車股份有限公司), Beijing Jeep Corporation (北京吉普汽車有限公司) and Beijing Benz Automotive Company Limited (北京奔馳汽車有限公司). Mr. An has been a member of Beijing Political Consultative Conference (北京市政治協商委員會) (the 8th and 10th sessions), a representative of Beijing Municipal People's Congress (北京市人民代表大會) (the 11th session), and a member of the Standing Committee of Beijing Association for Science and Technology (北京市科學技術協會常委會) (the 4th, 5th, 6th and 7th sessions). Mr. An is currently the deputy director of the Advisory Committee of China Automotive Industry (中國汽車工業諮詢委員會) and the chairperson of Beijing Association of Automobile Manufacturers (北京汽車行業協會). Mr. An has also obtained the qualification of Senior Engineering (Professor Level) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會). Mr. An is also the independent director of Yechiu Metal Recycling (China) Limited (Shanghai Stock Exchange A Share Stock Code: 601388), SG Automotive Group (Shanghai Stock Exchange A Share Stock Code: 600303) and Henan Province Xixia Automobile Water Pump Co Ltd. (Shenzhen Stock Code: 002536).

Mr. Wang Yang, aged 40, 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

MANAGEMENT REPORT DIRECTORS AND SENIOR MANAGEMENT PROFILES

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 the PRC. 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 39, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. He was also a director of DSI Holdings Pty Limited, a former 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 and a member of The Hong Kong Institute of Directors. Mr. Cheung has over 17 years of experience in auditing, accounting and financial management. Mr. Cheung is an independent non-executive director of Ourgame International Holdings Limited (HK Stock Code: 6899).

Mr. Dai Yang, Daniel, aged 60, 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. Poon Chi Kit, aged 35, joined the Group as the Senior Manager on 1 July 2011, and he is in charge of risk assessment and monitoring, internal audit, and internal control infrastructure development of the Group. He is also the Group Financial Controller of Kandi Electric Vehicles Group Co., Ltd., a joint venture of the Group. Mr. Poon holds a Bachelor’s Degree in Civil Engineering from the National University of Singapore. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 9 years of experience in auditing, accounting and financial management.

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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 2014, 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 has been 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 24 to 29 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

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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	29 May 2014	Oversees international business development, capital market and investor relations activities of the Group
Mr. Li Dong Hui, Daniel	ED ¹ (resigned on 28 March 2014)	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	29 May 2014	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
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. Ran Zhang	NED ² (re-designated on 30 December 2014)	28 March 2014	Not applicable	Provides advice on the Group's financial management, internal control, infrastructure setup and management of the automobile financing system to the Board
Mr. Song Lin	INED ³ & member of AC ⁴ (resigned on 28 April 2014)	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	29 May 2014	Provides independent advice on financial and auditing activities to the Board

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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	29 May 2014	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. An Qing Heng	INED ³ & member of AC ⁴	17 April 2014	Not applicable	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	29 May 2014	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 (including the independent non-executive Directors) will 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 will abstain from voting.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

In order to ensure every newly appointed Director to keep abreast of his responsibilities and conduct (especially in the cases of non-executive Directors and independent 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. Ran Zhang, whom was appointed as an executive Director on 28 March 2014 then re-designated as a non-executive Director on 30 December 2014, and Mr. An Qing Heng, whom was appointed as an independent non-executive Director on 17 April 2014.

The Directors disclose to and update the Company the number and nature of offices they hold in public companies or organizations 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 Directors also declared their independence to make constructive and informed comments as to the development of the Company's strategy and policies by discharging their functions of non-executive Directors. 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.

Continuous 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 three CPD sessions for the Directors: the first session was about ethical leadership; the second session was about crisis management and cases study on situations where negative press/analyst reports are issued against the Company; and the third session was about the compliance with the indenture provisions of US\$300 million 5.25% 5-year senior notes due 2019 issued by the Company.

As the Directors are geographically dispersed, the Company also provided tele-conferencing and made available the video-conferencing facilities to accommodate the Directors' participation in the CPD sessions via electronic means. 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 will 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 will be fully reimbursed when valid receipts are provided.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 sessions during the year:

Name of Directors	CPD/Training Sessions			
	In person	Via electronic means	Self-learning	Induction
Executive Directors				
Mr. Li Shu Fu (<i>Chairman</i>)			2	
Mr. Yang Jian (<i>Vice Chairman</i>)		2		
Mr. Gui Sheng Yue (<i>CEO</i>)			2	
Mr. An Cong Hui		2		
Mr. Ang Siu Lun, Lawrence	1		1	
Mr. Li Dong Hui, Daniel ¹			1	
Mr. Liu Jin Liang		1	1	
Ms. Wei Mei		1	1	
Non-executive Directors				
Mr. Carl Peter Edmund Moriz Forster		1	1	
Mr. Ran Zhang ²			1	1
Independent Non-executive Directors				
Mr. Song Lin ³	–	–	–	
Mr. Lee Cheuk Yin, Dannis			2	
Mr. Yeung Sau Hung, Alex	2			
Mr. Fu Yu Wu			2	
Mr. An Qing Heng ⁴			1	1
Mr. Wang Yang			2	

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

Notes:

- ¹ Mr. Li Dong Hui, Daniel resigned as an executive Director with effect from 28 March 2014.
- ² Mr. Ran Zhang was appointed an executive Director with effect from 28 March 2014 and re-designated as a non-executive Director on 30 December 2014.
- ³ Mr. Song Lin resigned as an independent non-executive Director on 28 April 2014.
- ⁴ Mr. An Qing Heng was appointed an independent non-executive Director on 17 April 2014.

Supply of and Access to Information

The Company provides the Directors with adequate information 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 will 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 provides complete, reliable and timely information to the Directors with proper briefing in respect of the matters and issues being contemplated by the Directors at 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 at 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 press releases together with 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 the subsidiaries of the Company and its subsidiaries who, because of his office or employment, is 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 standard set out in the Model Code during the year and there had been no cases of non-compliance reported. As at 31 December 2014, the details of Directors' holding of the Company's securities are set out on pages 58 to 59 of this annual report. The senior management of the Company whose profiles are set out on page 29 of this annual report also declared that they did not hold any shares of the Company as at 31 December 2014.

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.

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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 material inside information according to the relevant statutory and regulatory requirements 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) reviewed 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.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 2014, the Board comprised seven executive Directors, two non-executive Directors and five independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis (an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants), Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang. On 28 March 2014, Mr. Li Dong Hui, Daniel resigned whilst Mr. Ran Zhang was appointed as an executive Director; Mr. Ran Zhang was then re-designated as a non-executive Director on 30 December 2014. Mr. An Qing Heng was appointed as an independent non-executive Director on 17 April 2014. Mr. Song Lin resigned as an independent non-executive Director on 28 April 2014. A table illustrating the compositions of the Board and its committees is set out on pages 30 to 32 of this report.

An updated list of Directors and their roles and functions 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 of Directors

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. Directors appointed to fill a casual vacancy should also be subject to election by Shareholders at the next general meeting after appointment.

In accordance with Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Mr. An Cong Hui, and Ms. Wei Mei shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Articles of Association, Mr. Ran Zhang and Mr. An Qing Heng shall retire at the forthcoming annual general meeting of the Company. Mr. An Qing Heng being eligible, shall offer himself for re-election while Mr. Ran Zhang shall retire and not offer himself for re-election thereat. Mr. Ran Zhang confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the Shareholders. No Directors 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).

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Meetings of the Board

As required by business needs, the Company held a total of 6 regular Board meetings, 16 ad hoc Board meetings, 4 meetings of the Audit Committee ("AC"), 8 meetings of the Remuneration Committee ("RC"), 3 meetings of the Nomination Committee ("NC"), 1 annual general meeting ("AGM") and 1 extraordinary general meeting ("EGM") for the financial year ended 31 December 2014.

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 abstained from voting at such Board meetings and he/she was not 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.

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Name of Directors	Attendance Rate for Meetings						AGM	EGM
	Regular Board Meetings	Ad hoc Board Meetings	AC Meetings	RC Meetings	NC Meetings			
Executive Directors								
Mr. Li Shu Fu (<i>Chairman</i>)	6/6	14/16	-	-	-		1/1	0/1
Mr. Yang Jian (<i>Vice Chairman</i>)	5/6	15/16	-	-	-		0/1	0/1
Mr. Gui Sheng Yue (<i>CEO</i>)	6/6	16/16	-	-	3/3		1/1	1/1
Mr. An Cong Hui	5/6	14/16	-	-	-		1/1	0/1
Mr. Ang Siu Lun, Lawrence	6/6	16/16	-	-	-		1/1	1/1
Mr. Li Dong Hui, Daniel ¹	1/1	1/2	-	-	-		N/A	1/1
Mr. Liu Jin Liang	6/6	14/16	-	-	-		1/1	1/1
Ms. Wei Mei	6/6	15/16	-	8/8	-		0/1	0/1
Non-executive Directors								
Mr. Carl Peter Edmund Moriz Forster	6/6	16/16	-	-	-		1/1	1/1
Mr. Ran Zhang ²	5/5	14/14	-	-	-		1/1	N/A
Independent Non-executive Directors								
Mr. Song Lin ³	0/1	0/4	0/2	-	-		N/A	0/1
Mr. Lee Cheuk Yin, Dannis	6/6	16/16	4/4	8/8	3/3		1/1	1/1
Mr. Yeung Sau Hung, Alex	6/6	16/16	4/4	8/8	3/3		0/1	0/1
Mr. Fu Yu Wu	6/6	15/16	4/4	8/8	3/3		1/1	1/1
Mr. An Qing Heng ⁴	5/5	13/13	2/2	-	-		1/1	N/A
Mr. Wang Yang	6/6	15/16	4/4	8/8	3/3		1/1	1/1

Notes:

¹ Mr. Li Dong Hui, Daniel resigned as an executive Director with effect from 28 March 2014.

² Mr. Ran Zhang was appointed an executive Director with effect from 28 March 2014 and re-designated as a non-executive Director on 30 December 2014.

³ Mr. Song Lin resigned as an independent non-executive Director on 28 April 2014.

⁴ Mr. An Qing Heng was appointed an independent non-executive Director on 17 April 2014.

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CORPORATE GOVERNANCE REPORT

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 Directors and Independent Non-executive Directors

Each of the existing non-executive Directors 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 2014 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.

When a matter to be resolved involves a substantial Shareholder or a Director having conflict of interest that determined to be material by the Board, the independent non-executive Directors who have no material interest in the subject matter will be present at the Board meeting and lead the discussions.

Chairman and Chief Executive Officer

The roles of Chairman and the 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 Directors 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 Directors and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 team was 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 50 to 53 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 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 8 meetings. The attendance record, on a named basis, at those meetings is set out in the table on page 39 of this report. The Remuneration Committee considered the following proposals and/or made recommendation to the Board during the year:

- Reviewed the basic monthly salary, benefits and year-end bonus of individual executive Directors with reference to their past contribution, experience and duties as well as the Company's Remuneration Policy and prevailing market conditions;

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

- Reviewed the compensation payable to the resigning directors and the remuneration package of the newly appointed directors;
- Reviewed the service contracts and letters of appointment of the existing Directors for a term of 3 years subject to retirement by rotation; and
- Reviewed the Company's Remuneration Policy and the terms of reference of the Remuneration Committee.

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 during the year. 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 2014, the remuneration payable to members of senior management was within the following bands:

<i>By Band</i>	Number of Individual(s)
RMB500,001 – RMB1,000,000	1
RMB1,000,001 – RMB1,500,000	1
RMB2,500,001 – RMB3,000,000	1
	3

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2014, the aggregate of the emoluments in respect of the above members of senior management was as follows:

<i>By Category</i>	RMB '000
Basic salaries and allowances	3,266
Retirement benefits and scheme contributions	40
Share-based payment expenses	1,765
	5,071

For details of Directors' remuneration, please refer to pages 114 to 116 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 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; reviewed the independence of the existing five independent non-executive Directors; and reviewed the terms of reference of the committee. The attendance record, on a named basis, at those meetings is set out in the table on page 39 of this report.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

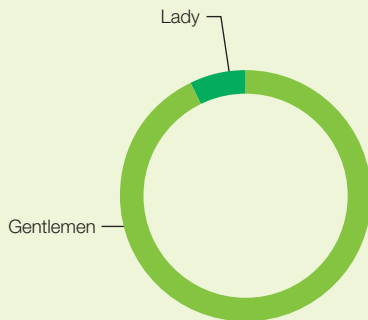
Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company 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". Set out below is the summary of the policy.

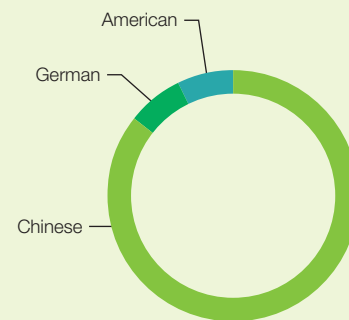
In order to enhance the quality of the performance of the Board with a view to achieving a sustainable

and balanced development of the Group, the Board ensures that board diversity will be considered from a number of aspects when designing the Board's composition and that nomination and selection of candidates as a Board member will be considered against objective criteria based on a range of diversity perspectives. The Board also reviews the Board Diversity Policy at least annually or whenever as appropriate, to ensure its effectiveness. Taking into account the vast development of the consumer products market, a range of diversity perspectives was analyzed for the Board's composition during the year as set out in the pie charts below.

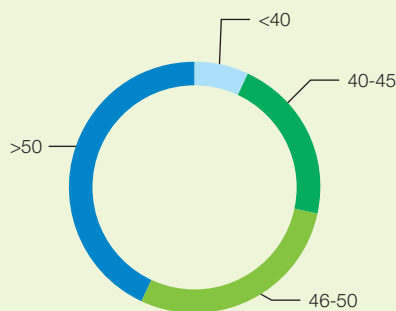
By Gender



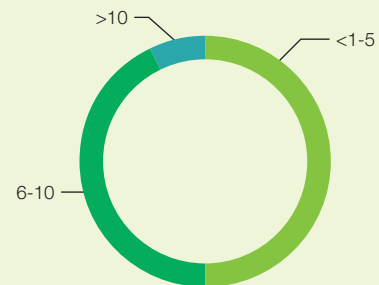
By Ethnicity



By Age



By Length of Service with the Company (years)



MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 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, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, currently comprises five members (including the chairman of the committee himself), solely the independent non-executive Directors.

During the year, the Audit Committee held 4 meetings. The attendance record, on a named basis, at those meetings is set out in the table on page 39 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 2013 including the major accounting issues raised by the external auditors;
- Reviewed the Group's interim results for the six months ended 30 June 2014;
- Assessed the independence and objectivity of the Company's external auditors and approved the annual audit fee for the year ended 31 December 2014;
- 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.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 for 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 and risk management functions in the following areas:

- Introduction of compliance enhancement programme
- Selected operational controlling procedure and process
- Construction supervision control process
- Assess the risk on international business
- Continuous professional development and training for Directors and senior management
- Other business projects (including risk assessment projects on the restructuring of the Group)

The evaluation covered all important internal control aspects. There was no material monitoring errors or weakness identified during the year. The Board also 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 during the year.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

The Internal Audit Department of the Company reports on internal control matters quarterly, or on ad hoc basis, to the Audit Committee and administratively to the CEO and the management team. When the Audit Committee expresses concerns over the internal control matters of the Group, it delegates the Internal Audit Department of the Company to communicate the internal audit findings with and make recommendations to the management team. The Internal Audit Department of the Company also maintains an effective communication with the external auditors of the Company on the Group's internal control systems during interim review and annual audit.

(D) ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related explanation and 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 2014, 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. The reporting responsibilities of the independent external auditors of the Company regarding the consolidated financial statements of the Company for the year ended 31 December 2014 in the independent auditors' report set out on pages 75 to 76 of this annual report.

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. The Board also conducted annual review of the effectiveness of the internal control system of the Group. 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.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

Long-term Strategy

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

- Achieving economies of scale through 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 external auditors of the Company, has declared its reporting responsibilities regarding the consolidated financial statements of the Company for the year ended 31 December 2014 in the independent auditors' report set out on pages 75 to 76 of this annual report.

In 2014, 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 will hold office until re-election by the Shareholders at the forthcoming annual general meeting of the Company.

MANAGEMENT REPORT
CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2014, the remuneration for the provision of audit and non-audit services by the auditors to the Group was as follows:

	2014	2013
	RMB'000	RMB'000
Audit Service		
Annual audit	4,100	4,772
	4,100	4,772
Non-audit Service		
Interim review	480	435
Tax advisory	30	–
Issue of Senior Notes*	1,101	–
Major transaction on formation of a joint venture**	–	416
	1,611	851
Total	5,711	5,623

* Please refer to the Company's announcement dated 25 September 2014 for details.

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

MANAGEMENT REPORT

CORPORATE GOVERNANCE REPORT

(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 2014.

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 record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or 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 use to propose a person for election as a Director, on its website (<http://www.geelyauto.com.hk>) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 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 176 of this annual report under the "Corporate Information" 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 will 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 will 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, not less than 32 days before the upcoming general meeting at the time. The Board will 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. Contact details of the Company's principal place of business are set out on page 176 of this annual report under the section headed "Corporate Information".

MANAGEMENT REPORT

CORPORATE GOVERNANCE REPORT

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. Contact details of the Company's principal place of business are set out on page 176 of this annual report under the section headed "Corporate Information".

Communication with Shareholders

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company and CP A.6.7 stipulates that the independent non-executive Directors and the non-executive Directors should 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 will 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 auditors' independence.

To approve the grant of the Call Option and the Put Option and the transactions contemplated under the JV Agreement (details are set out in the Company's circular dated 8 January 2014), the Company held an extraordinary general meeting on 27 January 2014. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting. Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Li Dong Hui, Daniel (resigned on 28 March 2014), who are the executive Directors, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, the Company's external auditors and the Company's financial adviser, 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, Mr. Carl Peter Edmund Moriz Forster, a non-executive Director, and another executive Director attended the meeting via conference call. The attendance of the Directors at the meeting is set out on page 39 of this report.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

The Company held its annual general meeting on 29 May 2014. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting in person. Mr. Gui Sheng Yue and Mr. Ang Siu Lun, Lawrence, who are the executive Directors, Mr. Ran Zhang, who has been re-designated as a non-executive Director, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, and 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. An Qing Heng and Mr. Wang Yang, who are the independent non-executive Directors, 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 39 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 will 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.

The Company arranges for the notice to Shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

(G) INVESTOR RELATIONS

Constitutional documents of the Company

The Company's memorandum and articles of association is maintained on its 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 (<http://www.hkexnews.hk>) for Shareholders' inspection. During the year, no changes have been made to the Company's memorandum and articles of association.

MANAGEMENT REPORT CORPORATE GOVERNANCE REPORT

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 the date of this report are set out on pages 63 and 64 of this annual report.

Details of the last annual general meeting and extraordinary general meeting

	Extraordinary General Meeting	Annual General Meeting
Time:	Hong Kong Time 27 January 2014 (Monday) at 10:00 a.m.	Hong Kong Time 29 May 2014 (Thursday) at 4:30 p.m.
Venue:	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Major items discussed:	<ul style="list-style-type: none"> (i) Approved the JV Agreement, the grant of the Call Option and the transactions contemplated thereunder; and (ii) approved the grant of the Put Option and the transactions contemplated thereunder. 	<ul style="list-style-type: none"> (i) Received and considered report of the directors, audited financial statements and auditors' report; (ii) declared a final dividend; (iii) re-elected Mr. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Ales and Mr. Wang Yang 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.	all resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll.

MANAGEMENT REPORT
CORPORATE GOVERNANCE REPORT

Indication of important dates for the Shareholders in 2015/2016

<i>Event</i>	<i>Date</i>
Forthcoming extraordinary general meeting	: 31 March 2015 (Tuesday) at Hong Kong Time 10:00 a.m. at Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	: 27 – 29 May 2015 (Wednesday – Friday)
Forthcoming annual general meeting	: 29 May 2015 (Friday) at Hong Kong Time 4:00 p.m. at Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong
Ex-final dividend	: 8 June 2015 (Monday)
Book Close for entitlement of final dividend	: 10 – 12 June 2015 (Wednesday – Friday)
Record date for final dividend entitlement	: 12 June 2015 (Friday)
Final dividend distribution	: July 2015
2015 interim results announcement	: Late August 2015 (<i>to be confirmed</i>)
Financial year end	: 31 December 2015 (Thursday)
2015 annual results announcement	: Late March 2016 (<i>to be confirmed</i>)

MANAGEMENT REPORT

DIRECTORS' REPORT

The directors of the Company present their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 77 and page 78, respectively of the annual report. The directors recommend the payment of a final dividend of HK\$ 0.025 per share to the shareholders on the register of members on 12 June 2015, amounting to approximately RMB 173,829,000.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2015 to 29 May 2015, 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 2015, 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 A18/F., Asia Orient Tower Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 26 May 2015.

The register of members of the Company will be closed from 10 June 2015 to 12 June 2015, 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 A18/F., Asia Orient Tower Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 9 June 2015.

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

During the year, details of movements 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

During the year, details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

During the year, details of the movements in the reserves of the Group and the reserves of the Company are set out in the consolidated statement of changes in equity on page 81 and on page 168 of the annual report, respectively.

MANAGEMENT REPORT DIRECTORS' REPORT

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. Liu Jin Liang
Ms. Wei Mei
Mr. Li Dong Hui, Daniel (*Resigned on 28 March 2014*)

Non-executive directors:

Mr. Carl Peter Edmund Moriz Forster
Mr. Ran Zhang (*Appointed executive director on 28 March 2014 and re-designated on 30 December 2014*)

Independent non-executive directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. An Qing Heng (*Appointed on 17 April 2014*)
Mr. Wang Yang
Mr. Song Lin (*Resigned on 28 April 2014*)

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Shu Fu, Mr. Yang Jian, Mr. Gui Sheng Yue, Mr. An Cong Hui, and Ms. Wei Mei shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Company's Articles of Association, Mr. Ran Zhang and Mr. An Qing Heng shall retire and be eligible for re-election at the

forthcoming annual general meeting of the Company. Mr. An Qing Heng being eligible, shall offer himself for re-election while Mr. Ran Zhang shall retire and not offer himself for re-election thereat. Mr. Ran Zhang confirmed that he has no disagreement with the board of directors of the Company and there is no other matter relating to his retirement that needs to be brought to the attention of the shareholders 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 2014, the interests and short positions of the directors and chief executives 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: (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests 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; or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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:

MANAGEMENT REPORT
DIRECTORS' REPORT

(I) Directors' interests and short positions in the securities of the Company

Name of directors	Nature of interests	Number or attributable number of securities held in the Company		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Shares				
Mr. Li Shu Fu (<i>Note 1</i>)	Interest in controlled corporations	3,751,159,000	–	42.62
Mr. Li Shu Fu	Personal	17,075,000	–	0.19
Mr. Yang Jian	Personal	8,000,000	–	0.09
Mr. Gui Sheng Yue	Personal	13,800,000	–	0.16
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 (<i>Note 2</i>)	–	0.14
Mr. Gui Sheng Yue	Personal	11,500,000 (<i>Note 2</i>)	–	0.13
Mr. An Cong Hui	Personal	9,000,000 (<i>Note 2</i>)	–	0.10

MANAGEMENT REPORT
DIRECTORS' REPORT

Name of directors	Nature of interests	Number or attributable number of securities held in the Company		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Ang Siu Lun, Lawrence	Personal	11,000,000 (Note 2)	–	0.12
Mr. Liu Jin Liang	Personal	9,000,000 (Note 2)	–	0.10
Ms. Wei Mei	Personal	8,000,000 (Note 2)	–	0.09
Mr. Ran Zhang	Personal	1,000,000 (Note 2)	–	0.01
Mr. Yeung Sau Hung, Alex	Personal	1,000,000 (Note 2)	–	0.01
Mr. Lee Cheuk Yin, Dannis	Personal	1,000,000 (Note 2)	–	0.01

Note:

- (1) Proper Glory Holding Inc. ("Proper Glory") and its associates in aggregate hold 3,751,159,000 shares, representing approximately a 42.62% of the issued share capital of the Company as at 31 December 2014. 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" on pages 64 to 65 of this report. 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 at 31 December 2014.

MANAGEMENT REPORT
DIRECTORS' REPORT

(II) Directors' interests and short positions in the securities of the associated corporations of the Company

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage or attributable percentage of shareholding (%)
		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)

MANAGEMENT REPORT DIRECTORS' REPORT

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage or attributable percentage of shareholding (%)
		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 a private company incorporated in the PRC and is 1% directly 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.

MANAGEMENT REPORT DIRECTORS' REPORT

- (7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple") is a private company incorporated in the PRC and is 1% directly owned by Shanghai Maple Automobile. Shanghai Maple Automobile is 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 a private company incorporated in the PRC and is 1% directly 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 a private company incorporated in the PRC and is 1% directly 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 a private company incorporated in the PRC and is 1% directly 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 2014, none of the directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

MANAGEMENT REPORT
DIRECTORS' REPORT

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

As at 31 December 2014, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executives of the Company, the persons, other than the directors or the chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

Substantial shareholders

(as defined in the SFO)

Name of shareholders	Nature of interests	Number of shares held			Shareholding percentage (%)
		Long position	Short position	Lending pool	
Proper Glory (Note 1)	Beneficial owner	2,462,400,000	–	–	27.98
Geely Holding (Note 1)	Interest in controlled corporations	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
JPMorgan Chase & Co.	Interest in controlled corporations	747,584,081	–	–	8.49
		–	27,747,944	–	0.32
		–	–	123,862,288	1.41

MANAGEMENT REPORT DIRECTORS' REPORT

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 wholly owned by Mr. Li Shu Fu and his associate.
2. 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.

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

Holding and Zhejiang Geely. Save as disclosed above, as at 31 December 2014, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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 periods	Exercise price per share HK\$	Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding as at 31.12.2014
Directors								
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)	-

MANAGEMENT REPORT
DIRECTORS' REPORT

	Exercise periods	Exercise price per share HK\$	Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Forfeited during the year	Transfer upon resignation	Outstanding as at 31.12.2014
Mr. Liu Jin Liang	18.1.2010 – 17.1.2020	4.07	9,000,000	-	-	-	-	9,000,000
Ms. Wei Mei	18.1.2010 – 17.1.2020	4.07	3,000,000	-	-	-	-	3,000,000
	23.3.2012 – 22.3.2022	4.07	5,000,000	-	-	-	-	5,000,000
Mr. Song Lin	18.1.2010 – 17.1.2020	4.07	1,000,000	-	-	-	(1,000,000)	-
Mr. Lee Cheuk Yin, Dannis	18.1.2010 – 17.1.2020	4.07	1,000,000	-	-	-	-	1,000,000
Mr. Yeung Sau Hung, Alex	18.1.2010 – 17.1.2020	4.07	1,000,000	-	-	-	-	1,000,000
Continuous contract employees	18.1.2010 – 17.1.2020	4.07	330,600,000	-	-	(24,850,000)	1,000,000	306,750,000
	21.4.2010 – 20.4.2020	4.07	14,400,000	-	-	(400,000)	-	14,000,000
	23.3.2012 – 22.3.2022	4.07	12,000,000	-	-	(2,500,000)	7,000,000	16,500,000
	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
			440,600,000	-	-	(27,750,000)	-	412,850,000

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 or underlying 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 34 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.

MANAGEMENT REPORT DIRECTORS' REPORT

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 34 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 100% Interest in the Issued Share Capital of DSI

Pursuant to the equity transfer agreement dated 21 July 2014, the Company, entered into a transaction with Proper Glory Holding Inc. ("Proper Glory") to dispose of its 100% interest in the issued share capital of DSI, a wholly owned subsidiary of the Company, to Proper Glory at a consideration of AUD88,353,755 (equivalent to approximately RMB474,375,000).

2. Disposal of 50% Interest in the Registered Capital of Hunan Jisheng

Pursuant to the equity transfer agreement dated 21 July 2014, Hunan Geely Automobile Components Company Limited, an indirectly owned subsidiary of the Company, entered into a transaction with Zhejiang Geely Automobile Parts and Components Company Limited ("Zhejiang Geely Automobile") to dispose of its 50% interest in the registered capital of Hunan Jisheng, an indirectly owned subsidiary of the Company, to Zhejiang Geely Automobile at a consideration of RMB85,500,000.

3. Disposal of 100% Interest in the Registered Capital of Shandong Gearbox

Pursuant to the equity transfer agreement dated 21 July 2014, Jinan Geely Automobile Parts and Components Company Limited, an indirectly owned subsidiary of the Company, entered into a transaction with Zhejiang Geely Automobile to dispose of its 100% interest in the registered capital of Shandong Gearbox, an indirectly owned subsidiary of the Company, to Zhejiang Geely Automobile at a consideration of RMB100,000,000.

CONTINUING CONNECTED TRANSACTIONS

1. Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2020)

- **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") agreed to supply to 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.

MANAGEMENT REPORT DIRECTORS' REPORT

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 continuing 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 RMB18,858.553 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB50,726.010 million for sales of CKDs and sedan tool kits for the year ended 31 December 2014 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 RMB18,858.553 million for sales of CKDs and sedan tool kits which did not exceed the annual cap of RMB50,726.010 million for sales of CKDs and sedan tool kits for the year ended 31 December 2014 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 continuing 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 RMB23,049.364 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB64,291.422 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2014 as approved by the Stock Exchange and the independent shareholders.

MANAGEMENT REPORT DIRECTORS' REPORT

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 RMB23,049.364 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services which did not exceed the annual cap of RMB64,291.422 million for purchases of CBUs, automobile parts and components and provision of process manufacturing services for the year ended 31 December 2014 as approved by the Stock Exchange and the independent shareholders.

2. Loan guarantee agreement between the Company and Geely Holding (the loan guarantee agreement has an effective term until 31 December 2015)

Pursuant to the loan guarantee agreement dated 16 November 2012, Geely Automobile Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") agreed to provide guarantees (including the pledge of certain lands, buildings and facilities of the subsidiaries) on loans obtained or to be obtained by 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 continuing 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 RMB1,200 million for the year ended 31 December 2014 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 RMB1,200 million for the year ended 31 December 2014 as approved by the Stock Exchange and the independent shareholders.

MANAGEMENT REPORT DIRECTORS' REPORT

3. Lease agreement and supplemental lease agreement between the Company, Geely Holding and Zhejiang Automotive Vocational and Technical College (the lease agreement has an effective term until 31 December 2015)

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") agreed to lease properties located in Zhejiang Province, to 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 continuing 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 RMB9.416 million which, did not exceed the annual cap of RMB12.713 million for the year ended 31 December 2014.

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 RMB9.416 million which, did not exceed the annual cap of RMB12.713 million for the year ended 31 December 2014.

4. Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2014)

Pursuant to the services agreement dated 11 April 2012, Geely Automobile Holdings Limited (the "Company") agreed to purchase from Zhejiang Geely Holding Group Company Limited ("Geely Holding") and its subsidiaries (collectively, the "Geely Holding 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 continuing 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 RMB10.426 million for purchases of processed automobile parts and components which did not exceed the annual cap of RMB316.126 million for purchases of processed automobile parts and components for the year ended 31 December 2014 as approved by the Stock Exchange and the independent shareholders.

MANAGEMENT REPORT DIRECTORS' REPORT

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 RMB10.426 million for purchases of processed automobile parts and components which did not exceed the annual cap of RMB316.126 million for purchases of processed automobile parts and components for the year ended 31 December 2014 as approved by the Stock Exchange and the independent shareholders.

5. CBU agreement between the Company and Geely Holding (the CBU agreement has been renewed on 12 December 2014 and the renewed CBU agreement has an effective term until 31 December 2017)

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 continuing 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 RMB137.838 million for sales of CBUs which did not exceed the annual cap of RMB360 million for sales of CBUs for the year ended 31 December 2014 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 RMB137.838 million for sales of CBUs which did not exceed the annual cap of RMB360 million for sales of CBUs for the year ended 31 December 2014 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 2014.

MANAGEMENT REPORT DIRECTORS' REPORT

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 25.8% and 17.4%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited and Zhejiang Geely Automobile Company Limited 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 9.2% and 2.7% 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 30 to 55 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, Yeung Sau Hung, Alex, Fu Yu Wu, An Qing Heng 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.

MANAGEMENT REPORT DIRECTORS' REPORT

Zhejiang Geely Holding Group Company Limited (“Geely Holding” and its subsidiaries, collectively the “Geely Holding Group”, is principally engaged in the sale of automobiles and related parts and components wholesale and retail business), 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”) on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive directors of the Company, 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 addition, it is required that Mr. Li informs the Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures 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 2010 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 of the Company, 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. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group’s product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group’s product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and strong brand name, whereas economy automobiles, which mainly represent the Group’s product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

**MANAGEMENT REPORT
DIRECTORS' REPORT**

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

18 March 2015



ACCOUNTS

INDEPENDENT AUDITORS' REPORT



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 77 to 174, which comprise the consolidated statement of financial position as at 31 December 2014, 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.

ACCOUNTS

INDEPENDENT AUDITORS' REPORT (CONTINUED)



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 2014 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

18 March 2015

Chiu Wing Ning

Practising Certificate No.: P04920

ACCOUNTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover/Revenue	6	21,738,358	28,707,571
Cost of sales		(17,775,723)	(22,941,904)
Gross profit		3,962,635	5,765,667
Other income	8	1,054,625	1,062,444
Distribution and selling expenses		(1,250,468)	(1,705,070)
Administrative expenses, excluding share-based payments		(1,772,422)	(1,682,285)
Share-based payments	33	(59,850)	(87,063)
Finance costs, net	9	(23,704)	(39,974)
Share of results of associates	18	9,353	(175)
Share of result of a joint venture	19	23,136	(9,362)
Profit before taxation		1,943,305	3,304,182
Taxation	10	(494,177)	(623,934)
Profit for the year	9	1,449,128	2,680,248
Attributable to:			
Equity holders of the Company		1,430,588	2,663,136
Non-controlling interests		18,540	17,112
		1,449,128	2,680,248
Earnings per share			
Basic	12	RMB16.25 cents	RMB31.74 cents
Diluted	12	RMB16.25 cents	RMB30.42 cents

The notes on pages 85 to 174 are integral parts of these financial statements.

ACCOUNTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Profit for the year	1,449,128	2,680,248
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	(12,075)	(88,893)
Loss arising on revaluation of available-for-sale financial assets	–	(10)
Share of other comprehensive income of an associate	(18,901)	–
Total comprehensive income for the year	1,418,152	2,591,345
Attributable to:		
Equity holders of the Company	1,399,868	2,574,233
Non-controlling interests	18,284	17,112
	1,418,152	2,591,345

The notes on pages 85 to 174 are integral parts of these financial statements. Details of dividends proposed for the year are set out in note 11.

ACCOUNTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	5,860,705	6,208,554
Intangible assets	15	4,208,230	3,220,043
Prepaid land lease payments	16	1,131,286	1,166,070
Goodwill	17	6,222	6,222
Interests in associates	18	252,082	261,385
Interests in a joint venture	19	438,547	411,784
Available-for-sale financial assets	23	28,270	14,492
Deferred tax assets	27	51,709	59,411
		11,977,051	11,347,961
Current assets			
Prepaid land lease payments	16	28,758	30,098
Inventories	20	1,619,505	1,783,692
Trade and other receivables	21	16,385,192	14,785,486
Financial assets at fair value through profit or loss	22	15,294	13,114
Tax recoverable		3,723	55,739
Pledged bank deposits		47,451	105,471
Bank balances and cash		7,203,176	5,477,747
		25,303,099	22,251,347
Current liabilities			
Trade and other payables	25	17,016,666	16,074,808
Tax payable		136,645	196,728
Borrowings	26	691,616	965,565
		17,844,927	17,237,101
Net current assets		7,458,172	5,014,246
Total assets less current liabilities		19,435,223	16,362,207

ACCOUNTS

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	28	161,346	161,346
Reserves	29	17,126,650	15,906,678
Equity attributable to equity holders of the Company		17,287,996	16,068,024
Non-controlling interests		178,354	161,667
Total equity		17,466,350	16,229,691
Non-current liabilities			
Senior notes	24	1,820,138	–
Deferred tax liabilities	27	148,735	132,516
		1,968,873	132,516
		19,435,223	16,362,207

Li Shu Fu
Director

Gui Sheng Yue
Director

The notes on pages 85 to 174 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

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	Fair value reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
							Share bonds and warrant reserve 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

ACCOUNTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Fair value reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	161,346	5,815,964	88,059	106,113	22,284	524,353	(52)	9,349,957	16,068,024	161,667	16,229,691
Profit for the year	-	-	-	-	-	-	-	1,430,588	1,430,588	18,540	1,449,128
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	(12,008)	-	-	-	(12,008)	(67)	(12,075)
Share of other comprehensive income of an associate	-	-	-	-	(18,712)	-	-	-	(18,712)	(189)	(18,901)
Total comprehensive income for the year	-	-	-	-	(30,720)	-	-	1,430,588	1,399,868	18,284	1,418,152
Transactions with owners:											
Disposal of subsidiaries (note 30)	-	-	76,731	-	3,316	-	52	-	80,099	(1,597)	78,502
Recognition of share-based payments	-	-	-	-	-	59,850	-	-	59,850	-	59,850
Transfer upon forfeiture of share options	-	-	-	-	-	(34,480)	-	34,480	-	-	-
Dividends paid	-	-	-	-	-	-	-	(319,845)	(319,845)	-	(319,845)
Total transactions with owners	-	-	76,731	-	3,316	25,370	52	(285,365)	(179,896)	(1,597)	(181,493)
Balance at 31 December 2014	161,346	5,815,964	164,790	106,113	(5,120)	549,723	-	10,495,180	17,287,996	178,354	17,466,350

The notes on pages 85 to 174 are integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		1,943,305	3,304,182
Adjustments for:			
Depreciation and amortisation		873,546	1,077,995
Interest income		(57,625)	(59,263)
Finance costs		81,329	99,237
Share of results of associates		(9,353)	175
Impairment loss on interests in an associate		-	663
Share of result of a joint venture		(23,136)	9,362
Unrealised gain on disposal of prepaid land lease payments to a joint venture in prior year, realised in current year		(3,627)	-
Net (gain)/loss on disposal of property, plant and equipment		(34,654)	8,781
Loss on disposal and written off of intangible assets		9,835	180,110
Net gain on disposal of prepaid land lease payments		(3,754)	(78,854)
Net foreign exchange loss/(gain)		647,690	(8,992)
Gain on disposal of subsidiaries	30	-	(7,659)
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading		(2,180)	(438)
Share-based payment expenses		59,850	87,063
Bad debts written off		8,027	3,626
Impairment loss on inventories		711	4,040
Operating profit before working capital changes		3,489,964	4,620,028
Inventories		97,644	(48,628)
Trade and other receivables		(1,938,291)	(1,725,716)
Trade and other payables		880,319	1,325,453
Cash from operations		2,529,636	4,171,137
Income taxes paid		(496,675)	(609,568)
<i>Net cash from operating activities</i>		2,032,961	3,561,569

ACCOUNTS

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(841,272)	(930,264)
Proceeds from disposal of property, plant and equipment		91,864	289,745
Addition of prepaid land lease payments		(235,204)	(191,033)
Proceeds from disposal of prepaid land lease payments		23,375	360,958
Addition of intangible assets		(1,344,129)	(900,655)
Proceeds from disposal of intangible assets		712	26,190
Government grants received		424,268	587,495
Change in pledged bank deposits		58,020	208,064
Net cash inflow on disposal of subsidiaries	30	313,199	173,001
Investments in associates		(245)	(37,333)
Investment in a joint venture		–	(500,000)
Purchase of available-for-sale financial assets		(16,120)	(10,800)
Interest received		57,625	59,263
<i>Net cash used in investing activities</i>		(1,467,907)	(865,369)
Cash flows from financing activities			
Dividends paid		(319,845)	(263,585)
Proceeds from issuance of shares upon exercise of share options		–	10,679
Proceeds from issuance of senior notes		1,814,165	–
Compensation paid to convertible bonds investors		–	(98,051)
Proceeds from borrowings		691,616	847,809
Repayment of borrowings		(965,642)	(1,777,868)
Interest paid		(48,039)	(84,895)
<i>Net cash generated from/(used in) financing activities</i>		1,172,255	(1,365,911)
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		5,477,747	4,188,862
Effect of foreign exchange rate changes		(11,880)	(41,404)
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		7,203,176	5,477,747

The notes on pages 85 to 174 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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. As at 31 December 2014, 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 38 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2014 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 2014 were approved for issue by the board of directors on 18 March 2015.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 77 to 174 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 predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period. 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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. 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.

HKFRS 9	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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

HKFRS 9 – Financial Instruments

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity choose to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors are currently assessing the possible impact of HKFRS 9 on the Group's results and financial position in the first year of application.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

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.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

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 associates.

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

(c) Interests in associates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Interests in associates and joint ventures (Continued)

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 unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

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.

(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.)

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.

Capitalised development costs are amortised over 5 to 10 years. All other development costs are expensed as incurred.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 fair value reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Senior notes

Senior notes are classified as financial liability and recognised initially at fair value, net of transaction costs incurred. Senior notes are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the senior notes using the effective interest method.

Embedded derivatives

Derivatives embedded in our derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Convertible bonds (Continued)

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

Equity instruments

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

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

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Derecognition (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, 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.

Deferred tax is calculated, without discounting, 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.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

For the purposes of these financial statements, 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 an associate or joint venture of a member of a group of which the other entity is a member);
 - (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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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

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.

As at 31 December 2014, the carrying amount of the Group's goodwill was approximately RMB6,222,000 (2013: RMB6,220,000).

Fair value measurements of financial instruments and share-based payments

As described in note 36 to the consolidated financial statements, the valuation techniques applied and related inputs used by the external valuers for financial instruments not quoted in an active market have been agreed with the directors.

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

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

As at 31 December 2014, the carrying amount of the Group's available-for-sale financial assets measured at fair value was nil (2013: RMB2,342,000). As at 31 December 2014, the carrying amount of the Group's financial assets at fair value through profit or loss was RMB15,294,000 (2013: RMB13,114,000). For the year ended 31 December 2014, the share-based payments recognised was RMB59,850,000 (2013: RMB87,063,000).

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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

Key sources of estimation uncertainty (Continued)

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 (including property, plant and equipment and intangible assets (notes 14 and 15)) 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 fair value less cost of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if investments in associates and joint venture (notes 18 and 19) 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 only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. No separate analysis of the reportable segment results by operating segment is necessary.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	2014	2013
	RMB'000	RMB'000
Revenue from external customers		
PRC	17,646,482	21,962,293
Europe	1,936,504	3,072,291
Middle East	575,920	1,834,877
Korea	306,870	604,903
Africa	655,467	514,177
Central and South America	269,162	386,888
Other countries	347,953	332,142
	21,738,358	28,707,571

	2014	2013
	RMB'000	RMB'000
Specified non-current assets		
Hong Kong, place of domicile	135	76
PRC	11,818,015	11,016,623
Other countries	78,922	257,359
	11,897,072	11,274,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

8. OTHER INCOME

	2014	2013
	RMB'000	RMB'000
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading	2,180	438
Rental income (note a)	19,183	44,465
Gain on disposal of scrap materials	33,747	45,800
Gain on disposal of subsidiaries (note 30)	-	7,659
Net gain on disposal of property, plant and equipment (note b)	34,654	-
Net gain on disposal of prepaid land lease payments (note c)	3,754	78,854
Government grants and subsidies (note d)	898,196	800,048
Sundry income	62,911	85,180
	1,054,625	1,062,444

Notes:

- (a) Rental income net of outgoings for the year ended 31 December 2014 is RMB3,036,000 (2013: RMB24,246,000).
- (b) Net gain (2013: loss) on disposal of property, plant and equipment included government grants received of RMB254,306,000 (2013: RMB364,413,000).
- (c) Net gain on disposal of prepaid land lease payments included government grants received of RMB\$169,962,000 (2013: RMB223,082,000).
- (d) 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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

9. PROFIT FOR THE YEAR

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

	2014 RMB'000	2013 RMB'000
Finance income and costs		
Finance costs		
Effective interest expense on convertible bonds	–	14,206
Effective interest expense on senior notes	1,235	–
Coupon expense on senior notes	22,761	–
Interest on bank borrowings wholly repayable within five years	57,333	84,129
Interest expenses paid to a non-controlling shareholder of a former subsidiary of the Group	–	439
Interest expenses paid to a related party under common control of the substantial shareholder of the Company's ultimate holding company	–	463
	81,329	99,237
Finance income		
Bank and other interest income	(57,625)	(59,263)
Net finance costs	23,704	39,974

	2014 RMB'000	2013 RMB'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	1,307,403	1,428,651
Retirement benefit scheme contributions	114,299	162,453
Recognition of share-based payments	59,850	87,063
	1,481,552	1,678,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

9. PROFIT FOR THE YEAR (Continued)

	2014 RMB'000	2013 RMB'000
Other items		
Cost of inventories recognised as expense (note)	17,775,723	22,941,904
Auditors' remuneration	5,711	5,623
Depreciation	554,186	789,259
Amortisation of prepaid land lease payments	28,302	38,374
Amortisation of intangible assets	291,058	250,362
Net (gain)/loss on disposal of property, plant and equipment (note 8c)	(34,654)	8,781
Loss on disposal and written off of intangible assets	9,835	180,110
Net foreign exchange loss	654,143	94,754
Net claims paid on defective materials purchased	23,555	49,579
Operating leases charges on premises	29,067	28,494
Research and development costs	211,553	276,857
Impairment loss on interests in an associate	–	663
Bad debts written off	8,027	3,626
Impairment loss on inventories	711	4,040

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

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

10. TAXATION

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC enterprise income tax	471,895	620,912
Other overseas tax	–	10,007
Under/(Over) provision in prior years	616	(6,299)
	472,511	624,620
Deferred taxation (note 27)	21,666	(686)
	494,177	623,934

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 for the year ended 31 December 2014 (2013: Nil).

The income tax provision of the Group in respect of its operations in 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% (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

10. TAXATION (Continued)

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	1,943,305	3,304,182
Tax at the PRC enterprise income tax rate of 25% (2013: 25%)	485,826	826,046
Tax effect of expenses not deductible in determining taxable profit	59,450	110,766
Tax effect of non-taxable income	(17,084)	(21,324)
Tax effect of unrecognised tax losses	187,378	18,726
Utilisation of previously unrecognised tax losses	(15,227)	(6,578)
Tax effect of different tax rates of entities operating in other jurisdictions	54,543	14,533
Deferred tax charge on distributable profits withholding tax (note 27)	16,219	17,649
Effect of tax exemption granted to the PRC subsidiaries	(277,544)	(329,585)
Under/(Over) provision in prior years	616	(6,299)
Tax expense for the year	494,177	623,934

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 RMB16,219,000 (2013: RMB17,649,000) 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 2013 of Hong Kong dollars ("HK\$") 0.046 per share amounting to approximately RMB319,845,000 were paid to the shareholders of the Company during the year.

A final dividend for the year ended 31 December 2014 of HK\$0.025 per share amounting to approximately RMB173,829,000 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 2015 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 RMB1,430,588,000 (2013: RMB2,663,136,000) and weighted average number of ordinary shares of 8,801,446,540 shares (2013: 8,391,650,767 shares), calculated as follows:

(i) Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	8,801,446,540	8,258,948,934
Effect of shares issued upon exercise of share options	–	11,150,932
Effect of shares issued upon conversion of convertible bonds	–	121,550,901
Weighted average number of ordinary shares at 31 December	8,801,446,540	8,391,650,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity holders of the Company of RMB1,430,588,000 (2013: RMB2,677,342,000) and the weighted average number of ordinary shares of 8,801,446,540 shares (2013: 8,801,446,540 shares), calculated as follows:

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

	2014 RMB'000	2013 RMB'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders of the Company)	1,430,588	2,663,136
After tax effect of effective interest on the liability component of convertible bonds	-	14,206
Earnings for the purpose of diluted earnings per share	1,430,588	2,677,342

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

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,801,446,540	8,391,650,767
Effect of deemed conversion of convertible bonds	-	406,616,705
Effect of deemed issue of shares under the Company's share option scheme	-	3,179,068
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,801,446,540	8,801,446,540

In the calculation of the diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2014, the Company's share options were not taken into account as they had an anti-dilutive effect.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

2014

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
Executive directors								
Mr. An Cong Hui	8	-	-	-	-	8	1,222	1,230
Mr. Ang Siu Lun, Lawrence	-	2,015	877	-	13	2,905	1,494	4,399
Mr. Gui Sheng Yue	-	2,173	948	528	13	3,662	1,562	5,224
Mr. Li Dong Hui, Daniel	2	-	-	-	-	2	1,500	1,502
Mr. Li Shu Fu	-	308	-	-	13	321	-	321
Mr. Liu Jin Liang	8	-	-	-	-	8	1,222	1,230
Ms. Wei Mei	8	-	-	-	-	8	1,479	1,487
Mr. Yang Jian	8	-	-	-	-	8	1,630	1,638
Non-executive directors								
Mr. An Qing Heng	100	-	-	-	-	100	-	100
Mr. Carl Peter Edmund Moriz Forster	-	-	-	-	-	-	-	-
Mr. Fu Yu Wu	142	-	-	-	-	142	-	142
Mr. Lee Cheuk Yin, Dannis	142	-	-	-	-	142	136	278
Mr. Song Lin	46	-	-	-	-	46	136	182
Mr. Wang Yang	142	-	-	-	-	142	-	142
Mr. Yeung Sau Hung, Alex	142	-	-	-	-	142	136	278
Mr. Zhang Ran	6	-	-	-	-	6	127	133
	754	4,496	1,825	528	39	7,642	10,644	18,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

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
Executive directors								
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. Gui Sheng Yue	-	2,106	656	548	12	3,322	2,072	5,394
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
Ms. Wei Mei	8	-	-	-	-	8	2,071	2,079
Mr. Yang Jian	8	-	-	-	-	8	2,162	2,170
Dr. Zhao Fuquan	3	-	-	-	-	3	-	3
Non-executive directors								
Mr. Carl Peter Edmund Moriz Forster	-	-	-	-	-	-	-	-
Mr. Fu Yu Wu	146	-	-	-	-	146	-	146
Mr. Lee Cheuk Yin, Dannis	146	-	-	-	-	146	180	326
Mr. Song Lin	146	-	-	-	-	146	180	326
Mr. Wang Yang	146	-	-	-	-	146	-	146
Mr. Yeung Sau Hung, Alex	146	-	-	-	-	146	180	326
Mr. Yin Da Qing, Richard	-	-	-	-	-	-	49	49
	773	4,370	1,312	548	36	7,039	14,263	21,302

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2013 and 2014. No other director waived any emoluments during the year ended 31 December 2014.

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.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: two) 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 two (2013: three) persons are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	4,475	9,672
Retirement benefits scheme contributions	114	237
Share-based payment expense	1,392	1,982
	5,981	11,891

The emoluments of the two (2013: three) persons with the highest emoluments are within the following bands:

	2014 Number of persons	2013 Number of persons
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	–
HK\$6,500,001 – HK\$7,000,000	–	1
	2	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 2013	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
Exchange differences	1,667	(1,454)	-	(7,716)	-	(426)	(7,929)
Additions	729,019	37	17,738	124,641	349	76,536	948,320
Transfer	(219,103)	-	24,697	190,675	-	3,731	-
Disposals	(12,182)	-	(316,075)	(359,995)	-	(9,961)	(698,213)
Disposal of subsidiaries (note 30)	(158,690)	(61,046)	(16,380)	(459,359)	-	(7,297)	(702,772)
At 31 December 2014	1,251,208	-	2,623,983	3,926,663	6,250	529,900	8,338,004
DEPRECIATION							
At 1 January 2013	-	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
Exchange differences	-	(441)	-	(5,028)	-	(38)	(5,507)
Charge for the year	-	2,421	94,999	390,895	745	65,126	554,186
Disposals	-	-	(65,075)	(315,161)	-	(6,461)	(386,697)
Disposal of subsidiaries (note 30)	-	(15,981)	(1,252)	(251,524)	-	(5,970)	(274,727)
At 31 December 2014	-	-	433,876	1,750,184	5,038	288,201	2,477,299
NET BOOK VALUE							
At 31 December 2014	1,251,208	-	2,190,107	2,176,479	1,212	241,699	5,860,705
At 31 December 2013	910,497	48,462	2,508,799	2,507,415	1,608	231,773	6,208,554

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 34(c)).

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

15. INTANGIBLE ASSETS

	Capitalised development costs RMB'000
COST	
At 1 January 2013	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
Exchange differences	(324)
Additions	1,344,129
Disposals and written off	(11,801)
Disposal of subsidiaries (note 30)	(68,757)
At 31 December 2014	5,196,707
AMORTISATION	
At 1 January 2013	482,428
Exchange differences	(634)
Charge for the year	250,362
Disposal of subsidiaries (note 30)	(18,739)
At 31 December 2013	713,417
Exchange differences	(150)
Charge for the year	291,058
Disposals and written off	(1,254)
Disposal of subsidiaries (note 30)	(14,594)
At 31 December 2014	988,477
NET BOOK VALUE	
At 31 December 2014	4,208,230
At 31 December 2013	3,220,043

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

During the year, the Group has written off the capitalised development costs amounted to approximately RMB9,835,000 (2013: RMB176,172,000) in relation to particular projects which would not be put into commercialisation in view of the change in market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

16. PREPAID LAND LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
The Group's prepaid land lease payments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	1,160,044	1,196,168
Analysed for reporting purposes as:		
Current assets	28,758	30,098
Non-current assets	1,131,286	1,166,070
	1,160,044	1,196,168
Opening net carrying amount	1,196,168	1,499,170
Additions	221,185	171,800
Disposals	(189,583)	(426,333)
Disposal of subsidiaries (note 30)	(39,424)	(10,095)
Annual charges of prepaid land lease payments	(28,302)	(38,374)
Closing net carrying amount	1,160,044	1,196,168

Some of the Group's prepaid land lease payments have been pledged to secure borrowings granted to the Group (note 26(a)) and to the Company's ultimate holding company (note 34(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 Kandi Electric Vehicles Group Co., Ltd. (formerly known as "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).

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

17. GOODWILL

	2014 RMB'000	2013 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% (2013: 8%) per annum for the operation. A discount factor of 11% (2013: 11%) 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

	2014 RMB'000	2013 RMB'000
Share of net assets	252,082	261,385
Goodwill	663	663
Impairment loss recognised	(663)	(663)
	252,082	261,385

	2014 RMB'000	2013 RMB'000
Represented by:		
Cost of unlisted investments	271,391	271,146
Share of post-acquisition losses and reserves	(18,646)	(9,098)
Impairment loss recognised	(663)	(663)
	252,082	261,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 at cost less impairment losses. The net carrying amount of MBH before reclassification was considered to be nil.

During the year ended 31 December 2013, 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.

Details of the Group's interests in associates, which are accounted for using the equity method in the consolidated financial statements as at 31 December 2014 and 2013, 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	United States dollars ("USD") 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	USD11,100,000	18%	Manufacturing of traffic facilities
Hangzhou Xuan You Network Technology Limited 杭州軒優網絡技術有限公司	PRC	RMB1,000,000	29.5%	Provision of webpage design and related technology support services
Closed Joint Stock Company BELGEE	Republic of Belarus	USD27,350,000	35.6% (2013: 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	USD7,331,200 (2013: USD1,580,000)	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	USD3,260,200	30%	Production, marketing and sales of automobiles

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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)") as 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:

	2014	2013
	RMB'000	RMB'000
Non-current assets	281,746	313,988
Current assets	855,191	774,136
Current liabilities	(631,199)	(568,255)
Non-current liabilities	(3,531)	(2,320)
Net assets	502,207	517,549
Revenue	810,066	851,270
Loss and total comprehensive income for the year	(15,343)	(84)

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

	2014	2013
	RMB'000	RMB'000
Net assets of Mando (Ningbo)	502,207	517,549
Proportion of the Group's ownership interests in Mando (Ningbo)	35%	35%
Carrying amount of the Group's interests in Mando (Ningbo)	175,772	181,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

18. INTERESTS IN ASSOCIATES (Continued)

Aggregate financial information of associates that are not individually material:

	2014 RMB'000	2013 RMB'000
The Group's share of profit/(loss) for the year	14,723	(146)
The Group's share of other comprehensive income for the year	(18,901)	–
Aggregate carrying amount of the Group's interests in these associates	76,310	80,243

19. INTERESTS IN A JOINT VENTURE

	2014 RMB'000	2013 RMB'000
Share of net assets	438,547	411,784

	2014 RMB'000	2013 RMB'000
Represented by:		
Cost of unlisted investments	500,000	500,000
Unrealised gain on disposal of prepaid land lease payments to a joint venture	(75,227)	(78,854)
Share of post-acquisition losses and reserves	13,774	(9,362)
	438,547	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 as at 31 December 2014 and 2013, are as follows:

Name of company	Place of establishments and operations	Paid-up capital	Proportion of ownership interest held by the Group	Principal activities
Kandi Electric Vehicles Group Co., Ltd. (formerly known as "Zhejiang Kandi Electric Vehicles Co., Ltd.") ("Kandi Electric") 康迪電動汽車集團有限公司(前稱「浙江康迪電動汽車有限公司」)	PRC	RMB1,000,000,000	50%	Manufacture of electric automobiles and investment holding

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

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

19. INTERESTS IN A JOINT VENTURE (Continued)

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

	2014	2013
	RMB'000	RMB'000
Non-current assets	1,195,188	893,442
Current assets	1,615,560	661,162
Current liabilities	(1,727,777)	(573,328)
Non-current liabilities	(55,423)	–
Net assets	1,027,548	981,276
The above amount of assets and liabilities include the following:		
Cash and cash equivalents	246,520	229,489
Current financial liabilities (excluding trade and other payables and provisions)	730,000	30,000
Non-current financial liabilities (excluding trade and other payables and provisions)	55,423	–
Revenue	1,325,168	94,289
Profit/(Loss) and total comprehensive income for the year	46,272	(18,723)
The above profit/(loss) for the year including the following:		
Depreciation and amortisation	(65,219)	(9,132)
Interest income	950	1,643
Interest expense	(8,601)	–
Income tax expense	(14,772)	(10)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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:

	2014 RMB'000	2013 RMB'000
Net assets of the joint venture	1,027,548	981,276
Proportion of the Group's ownership interests in a joint venture	50%	50%
	513,774	490,638
Unrealised gain on disposal of prepaid land lease payments to a joint venture	(75,227)	(78,854)
Carrying amount of the Group's interests in a joint venture	438,547	411,784

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	436,686	506,858
Work in progress	138,054	430,903
Finished goods	1,044,765	845,931
	1,619,505	1,783,692

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES

	Note	2014 RMB'000	2013 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		1,822,383	2,050,463
– Joint venture		29,126	–
– Associates		424,208	392,781
– Related companies controlled by the substantial shareholder of the Company		1,319,427	1,348,683
Notes receivable	(a)	3,595,144	3,791,927
	(b)	9,221,000	8,060,190
		12,816,144	11,852,117
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		47,977	167,665
– Related companies controlled by the substantial shareholder of the Company		904,396	527,987
		952,373	695,652
Deposits paid for acquisition of property, plant and equipment		430,498	249,996
VAT and other taxes receivables		1,435,122	1,171,576
Utility deposits and other receivables		228,180	184,142
		3,046,173	2,301,366
Amounts due from related parties controlled by the substantial shareholder of the Company	(c)	502,180	189,150
Amount due from ultimate holding company	(c)	61	2,202
Amount due from a joint venture	(d)	20,634	440,651
		3,569,048	2,933,369
		16,385,192	14,785,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 ageing analysis of the trade receivables of PRC trade customers based on invoice dates at the reporting dates:

	2014	2013
	RMB'000	RMB'000
0 – 60 days	901,467	1,289,513
61 – 90 days	80,922	113,540
Over 90 days	525,465	114,720
	1,507,854	1,517,773

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

	2014	2013
	RMB'000	RMB'000
0 – 60 days	502,991	254,121
61 – 90 days	30,042	602,171
91 – 365 days	1,383,770	1,275,429
Over 1 year	170,487	142,433
	2,087,290	2,274,154

Of the total trade receivables balance at 31 December 2014, RMB171,857,000 (2013: RMB117,159,000) was due from the Group's largest customer. Other than the largest customer, there were two customers (2013: three) who represented more than 10% of the total balance of trade receivables.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	2014 RMB'000	2013 RMB'000
0 – 30 days past due	280,817	91,108
31 – 60 days past due	126,692	83,061
61 – 90 days past due	92,340	14,756
Over 90 days past due	887,881	113,495
	1,387,730	302,420

As at 31 December 2014, trade receivables of RMB2,207,414,000 (2013: RMB3,489,507,000) 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 RMB1,387,730,000 (2013: RMB302,420,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group held certain property, plant and equipment of a customer with carrying amount of approximately USD30,079,000 (equivalent to approximately RMB184,054,000) as collateral over certain overdue balances for over 90 days amounted to RMB213,447,000 as at 31 December 2014. The Group did not hold any collateral over the remaining 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivable

All notes receivable are denominated in RMB and are notes received from third parties for settlement of trade receivable balances. As at 31 December 2014 and 2013, 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 RMB421,909,000 (2013: RMB190,044,000) notes receivable to banks to secure the Group's notes payable as at 31 December 2014 and 2013 and bank borrowings as at 31 December 2014.

(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 on demand.

Except for trade and other receivables amounting to RMB25,575,000 (2013: RMB44,393,000) 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

	2014 RMB'000	2013 RMB'000
Listed investments		
– Equity securities listed outside Hong Kong	15,294	13,114

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 RMB'000	2013 RMB'000
Listed investment outside Hong Kong		
– Debt security	–	2,342
Unlisted investments		
– Equity securities	28,270	12,150
	28,270	14,492

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 their fair values cannot be measured reliably.

24. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of USD300,000,000 (equivalent to approximately RMB1,836,750,000) (the “Senior Notes”). The Senior Notes carry interest at 5.25% per annum, payable semi-annually in arrears on 6 April and 6 October, and will mature on 6 October 2019, unless redeemed earlier.

The Senior Notes are listed on the Hong Kong Exchanges and Clearing Limited. They are unsecured, senior obligations of the Company and guaranteed by certain of the Company’s subsidiaries organised outside the PRC. The guarantee is effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

24. SENIOR NOTES (Continued)

At any time on or after 6 October 2017, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 6 October of the years indicated below:

Period	Redemption Price
2017	102.625%
2018 and thereafter	101.313%

In the opinion of directors, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

The carrying amount of the Senior Notes is stated net of issue expenses totaling USD296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum.

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

	2014 RMB'000
Initial fair value on the date of issuance	1,814,165
Exchange loss	4,738
Interest expenses	1,235
Carrying amount as at 31 December	1,820,138

The directors considered that the fair value of the Senior Notes as at 31 December 2014 amounted to approximately RMB1,839,153,000.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

25. TRADE AND OTHER PAYABLES

	Note	2014 RMB'000	2013 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		7,757,246	7,744,569
– Associates		596,489	425,649
– Related parties controlled by the substantial shareholder of the Company		2,400,232	2,408,220
Notes payable	(a) (b)	10,753,967 364,916	10,578,438 644,003
		11,118,883	11,222,441
Other payables			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		1,983,648	1,090,384
– Related parties controlled by the substantial shareholder of the Company		75,387	468,673
		2,059,035	1,559,057
Deferred government grants which conditions have not been satisfied		1,164,773	467,598
Payables for acquisition of property, plant and equipment		293,103	366,557
Accrued staff salaries and benefits		272,784	274,679
VAT and other taxes payables		207,207	725,054
Other accrued charges		1,153,947	819,134
		5,150,849	4,212,079
Amounts due to related parties controlled by the substantial shareholder of the Company	(c)	476,934	640,095
Amount due to ultimate holding company	(c)	270,000	193
		5,897,783	4,852,367
		17,016,666	16,074,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

25. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

The following is an ageing analysis of trade payables based on invoice dates at the reporting dates:

	2014 RMB'000	2013 RMB'000
0 – 60 days	8,644,894	8,763,174
61 – 90 days	723,267	1,023,405
Over 90 days	1,385,806	791,859
	10,753,967	10,578,438

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 RMB and are notes paid to third parties for settlement of trade payable balances. As at 31 December 2014 and 2013, 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.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

26. BORROWINGS

	Note	2014 RMB'000	2013 RMB'000
Bank loans secured by the Group's assets	(a)	391,616	75,000
Bank loans guaranteed by the ultimate holding company	(b)	300,000	785,000
Bank loans, unsecured	(c)	–	105,565
Total bank borrowings		691,616	965,565

At the reporting date, the Group's borrowings were repayable within one year or on demand and shown under current liabilities.

Notes:

(a) As at 31 December 2013, these bank loans, together with notes payable, were secured by the Group's prepaid land lease payments of RMB32,278,000, notes receivable of RMB190,044,000 (note 21(b)) and bank deposits of RMB105,471,000 and carry interest at 7.38% per annum.

As at 31 December 2014, these bank loans, together with notes payable, are secured by the Group's notes receivable of RMB421,909,000 (note 21(b)) and pledged bank deposits of RMB47,451,000 and carry interest at 3.95% per annum.

(b) Except for an amount of RMB200,000,000 which was interest-free as at 31 December 2013, these bank loans are guaranteed by the Company's ultimate holding company and carry interest at 5.6% (2013: from 5.6% to 6.4%) per annum.

(c) As at 31 December 2013, unsecured bank loans carried interest from 2.38% to 3.15% per annum.

As at 31 December 2013, of the above total borrowings, approximately RMB275,565,000 and RMB490,000,000 were fixed-rate borrowings and variable-rate borrowings respectively.

As at 31 December 2014, all the above borrowings of approximately RMB691,616,000 are fixed-rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

27. DEFERRED TAXATION

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

	2014 RMB'000	2013 RMB'000
At 1 January	73,105	72,476
Exchange differences	(2,536)	1,315
Charge/(Credit) to the consolidated income statement (note 10)	21,666	(686)
Disposal of subsidiaries (note 30)	4,791	–
At 31 December	97,026	73,105

Deferred tax assets

	Provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	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
Exchange differences	2,137	150	2,287
(Charge)/Credit to the consolidated income statement	(23,524)	18,077	(5,447)
Disposal of subsidiaries (note 30)	(15,252)	–	(15,252)
At 31 December 2014	–	51,709	51,709

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

27. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Undistributed profit of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2013	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
Exchange differences	–	(249)	(249)
Charge to the consolidated income statement	16,219	–	16,219
Disposal of subsidiaries (note 30)	–	(10,461)	(10,461)
At 31 December 2014	148,735	–	148,735

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:

	2014 RMB'000	2013 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	(51,709)	(59,411)
Deferred tax liabilities recognised in the consolidated statement of financial position	148,735	132,516
Net deferred tax liabilities	97,026	73,105

Withholding tax is imposed on dividends declared in respect of profits earned by the 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 RMB655 million (2013: RMB713 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

27. DEFERRED TAXATION (Continued)

At the reporting date, the Group has unused tax losses of approximately RMB1,169 million (2013: RMB159 million) available for offset against future profits. Of the total tax losses, approximately RMB360 million (2013: RMB159 million) may be carried forward for 5 years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. 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 2013 and 31 December 2014	12,000,000,000	246,720
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 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, 1 January 2014 and 31 December 2014	8,801,446,540	161,346

Notes:

- (a) During the year ended 31 December 2013, share 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 share 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 ended 31 December 2013, 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).

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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, and its subsidiaries.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

29. RESERVES (Continued)

(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).

(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 2014, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,959,619,000 (2013: RMB3,420,957,000).

The consolidated profit attributable to equity holders of the Company includes a loss of RMB175,973,000 (2013: RMB130,080,000) which has been dealt with in the financial statements of the Company.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

30. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of the entire interests in DSI Holdings Pty Limited (“DSI”), Hunan Jisheng International Drivetrain System Company Limited (“Hunan Jisheng”) and Shandong Geely Gearbox Company Limited (“Shandong Gearbox”), the indirectly owned subsidiaries of the Company (collectively the “disposal group”), to related companies with a common beneficiary shareholder of the Company. The considerations for the disposals of DSI, Hunan Jisheng and Shandong Gearbox were approximately Australian dollars 88,354,000 (equivalent to approximately RMB474,375,000), RMB85,500,000 and RMB100,000,000, respectively. The disposals of DSI, Hunan Jisheng and Shandong Gearbox were completed in September, August and August 2014, respectively.

	RMB'000
Aggregated net assets disposed of:	
Property, plant and equipment	428,045
Intangible assets	54,163
Available-for-sale financial assets	2,299
Prepaid land lease payments	39,424
Deferred tax assets	15,252
Inventories	65,832
Trade and other receivables	150,056
Bank balances and cash	165,254
Trade and other payables	(344,588)
Tax recoverable	16,097
Deferred tax liabilities	(10,461)
Shareholder's loan	(181,422)
Fair value reserve	52
Translation reserve	3,316
	403,319
Net gain on disposal of subsidiaries (note):	
Cash consideration received	659,875
Assignment of loan amount due from DSI by the Group	(181,422)
Net assets disposed of	(403,319)
Non-controlling interests	1,597
	76,731
Aggregated net cash inflow arising on disposal:	
Cash consideration received	659,875
Assignment of loan amount due from DSI by the Group	(181,422)
Bank balances and cash disposed of	(165,254)
	313,199

Note: As the subsidiaries are disposed of to related companies with a common beneficiary shareholder, the net gain on disposal is recognised as the movement in capital reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

30. DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 31 December 2013, 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 disposals 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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

30. DISPOSAL OF SUBSIDIARIES (Continued)

During the year ended 31 December 2013, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

31. COMMITMENTS

Capital expenditure commitments

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

	2014 RMB'000	2013 RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and machinery	327,582	808,595
– purchase of intangible assets	1,258	4,500
– investment in associates	–	3,468
– investment in a joint venture (note 39)	720,000	720,000
– investment in available-for-sale financial asset	–	5,400
	1,048,840	1,541,963

Operating lease commitments – as lessee

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:

	2014 RMB'000	2013 RMB'000
Office and factory premises		
Within one year	6,282	7,000
In the second to fifth year inclusive	1,036	5,044
	7,318	12,044
Other assets		
Within one year	803	4,505
In the second to fifth year inclusive	328	919
	1,131	5,424
	8,449	17,468

Leases are negotiated and rental are fixed for an average term of two (2013: four) years.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

31. COMMITMENTS (Continued)

Operating lease commitments – as lessor

At the reporting date, the Group had commitments for future minimum lease receipts in respect of leasehold land and buildings, motor vehicles and plant and machinery under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Leasehold land and buildings		
Within one year	7,162	435
In the second to fifth year inclusive	16,791	48
After five years	30,433	17
	54,386	500
Motor vehicles and plant and machinery		
Within one year	4,001	–
In the second to fifth year inclusive	16,004	–
After five years	29,007	–
	49,012	–
	103,398	500

Leases are negotiated and rental are fixed for an average term of fourteen (2013: two) years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 and HK\$30,000 per employee on or before 31 May 2014 and on or after 1 June 2014 respectively.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are 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 subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in these countries.

During the year, the aggregate employer's contributions made by the Group and charged to the consolidated income statement amounted to RMB114,299,000 (2013: RMB162,453,000).

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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 but before 1 January 2015, one-tenth of options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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:

2014

	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. 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)	-		
			70,500,000	-	-	-	(8,000,000)	62,500,000		

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the year ended 31 December 2014

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

2014 (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	18 January 2010 to 17 January 2020	4.07	330,600,000	-	-	(24,850,000)	1,000,000	306,750,000		
	21 April 2010 to 20 April 2020	4.07	14,400,000	-	-	(400,000)	-	14,000,000		
	23 March 2012 to 22 March 2022	4.07	12,000,000	-	-	(2,500,000)	7,000,000	16,500,000		
	25 June 2012 to 24 June 2022	4.07	9,000,000	-	-	-	-	9,000,000		
	17 January 2013 to 16 January 2023	4.11	4,100,000	-	-	-	-	4,100,000		
			370,100,000	-	-	(27,750,000)	8,000,000	350,350,000		
			440,600,000	-	-	(27,750,000)	-	412,850,000		
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
	Weighted average exercise price per share	4.07	N/A	N/A	4.07	4.07	4.07			
	Weighted average remaining contractual life of options outstanding at 31 December 2014							5 years		
	Number of options exercisable at 31 December 2014							198,275,000		
								HK\$		
	Weighted average exercise price per share of options exercisable at 31 December 2014							4.07		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme (Continued)

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		

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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		
			409,130,000	4,100,000	(14,330,000)	(39,800,000)	11,000,000	370,100,000		
			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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

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.

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

Grant date	17 January 2013
Exercise price	HK\$4.11
Expected volatility	53.94%
Expected life	10 years
Risk-free rate	0.91%
Expected dividend yield	0.68%

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 RMB59,850,000 (2013: RMB87,063,000) for the year ended 31 December 2014 in relation to share options granted by the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. 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	2014 RMB'000	2013 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited (浙江吉利汽車有限公司)	Sales of complete knock down kits and sedan tool kits	8,459,803	10,931,856
	Sales of automobile parts and components	4,644	1,120
	Claims income on defective materials purchased	56,631	61,397
	Purchase of complete buildup units	8,748,155	11,425,065
	Purchase of automobile parts and components	–	52
	Sub-contracting fee paid	26,054	32,253
	Claims paid on defective materials sold	55,799	65,323
	Acquisition of property, plant and equipment	949	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	233,573	1,998,018
	Sales of automobile parts and components	515	4,107
	Claims income on defective materials purchased	2,102	2,999
	Purchase of complete buildup units	243,776	2,080,258
	Claims paid on defective materials sold	1,076	2,452
	Purchase of automobile parts and components	–	41
	Acquisition of property, plant and equipment	–	82
	Disposal of a subsidiary (note 30)	–	173,350
	Rental income	962	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Related companies (notes a and b)			
Zhejiang Haoqing Automobile Manufacturing Company Limited (浙江豪情汽車製造有限公司)	Sales of complete knock down kits and sedan tool kits	7,232,232	7,559,475
	Sales of automobile parts and components	902	–
	Claims income on defective materials purchased	70,924	65,635
	Purchase of complete buildup units	7,514,731	7,853,586
	Purchase of automobile parts and components	18,675	2,718
	Sub-contracting fee paid	18,052	49,880
	Claims paid on defective materials sold	64,926	58,384
	Acquisition of property, plant and equipment	1,812	80,996
	Rental income	290	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	9	3,208
	Claims income on defective materials purchased	20,858	23,084
	Purchase of automobile parts and components	3,282,616	4,284,593
	Purchase of accessories	–	3,211
	Disposal of subsidiaries (note 30)	185,500	–
Shanghai Maple Engine Company Limited (上海華普發動機有限公司)	Claims income on defective materials purchased	–	17
	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	3,837	1,071
	Sales of complete buildup units	137,838	85,318
	Claims paid on defective materials sold	1,053	202

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Related companies (notes a and b)			
Zhejiang Wisdom Electronics Equipment Company Limited (浙江智慧電裝有限公司) (note c)	Purchase of automobile parts and components	10,426	26,635
	Rental income	86	482
	Claims income on defective materials purchased	24	1,034
Hunan Geely Automobile Industries Company Limited (湖南吉利汽車工業有限公司)	Interest paid	–	463
Zhejiang Geely Automobile Industry School (浙江吉利汽車工業學校)	Rental income	–	3,098
Chengdu New Land Automobile Co., Ltd (成都新大地汽車有限公司)	Sales of complete knock down kits and sedan tool kits	2,923,968	4,135,137
	Purchase of complete buildup units	3,096,706	4,422,029
	Acquisition of property, plant and equipment	1,335	1,192
	Claims paid on defective materials sold	26,660	27,651
	Claim income on defective materials purchased	23,195	–
Zhongjia Automobile Manufacturing (Chengdu) Company Limited (中嘉汽車製造(成都)有限公司)	Rental income	–	358
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	239	702
	Purchase of automobile parts and components	1,695	1,288
	Rental income	7,617	4,067
	Sales of complete knock down kits and sedan tool kits	103	–
	Claim paid on defective materials sold	5	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Related companies (notes a and b)			
Hunan Jisheng International Drivetrain System Company Limited (湖南吉盛國際動力傳動系統有限公司)	Purchase of automobile parts and components	98,905	—
	Sales of automobile parts and components	10	—
	Claims income on defective materials purchased	6,020	—
Shandong Geely Gearbox Company Limited (山東吉利變速器有限公司)	Acquisition of property, plant and equipment	580	—
Geely Automobile Research Development Co., Ltd (寧波吉利汽車研究開發有限公司)	Sales of automobile parts and components	1,816	—
Zhejiang Jirun Chunxiao Automobile Components Company Limited (浙江吉潤春曉汽車部件有限公司)	Sales of automobile parts and components	739	—
DSI Holdings Pty Limited	Research and development fee paid	12,573	—
	Sales of automobile parts and components	228	—
Proper Glory Holding Inc.	Disposal of a subsidiary (note 30)	474,375	—

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Non-controlling shareholder of the former subsidiary			
Kailun (QuFu) Property Investment Limited (凱倫(曲阜)置業有限公司)	Interest paid	-	439
Associates			
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	735,838	842,118
	Rental income	-	320
	Claims income on defective materials purchased	4,870	5,091
Ningbo DIPO Traffic Facilities Co., Ltd (寧波帝寶交通器材有限公司)	Purchase of automobile parts and components	2,431	-
Closed Joint Stock Company BELGEE	Sales of complete buildup units	531,474	348,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Joint venture and its subsidiary			
Kandi Electric Vehicles Group Co., Ltd. (formerly known as "Zhejiang Kandi Electric Vehicles Co., Ltd.") (康迪電動汽車集團有限公司)(前稱「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
Kandi Electric Vehicles (Shanghai) Co., Ltd. (康迪電動汽車(上海)有限公司)	Sales of complete buildup units	49,011	–
	Sales of automobile parts and components	44,837	–
	Disposal of property, plant and equipment	4,549	–
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

Notes:

- (a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.
- (b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue licence and therefore the sales of complete knock down kits and sedan tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.
- (c) In May 2014, the Company's ultimate holding company has disposed Zhejiang Wisdom Electronics Equipment Company Limited to an independent third party. Subsequently, it is no longer a related company of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	2014 RMB'000	2013 RMB'000
Short-term benefits	23,552	34,703
Retirement benefits scheme contribution	775	1,159
Share-based payments	59,850	87,063
	84,177	122,925

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

(c) Pledge of assets and financial guarantee contracts

As at 31 December 2014, the Group has provided guarantees amounted to RMB340,000,000 (2013: RMB340,000,000) and RMB138,630,000 (2013:Nil) respectively with respect to banking facilities granted to the Company's ultimate holding company, and bank borrowings and notes payable of the Group's joint venture. Without taking into 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 RMB478,630,000 (2013: RMB340,000,000). 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 RMB80,404,000 (2013: RMB82,221,000) and RMB146,250,000 (2013: RMB150,759,000) respectively, have been pledged to the banks as at 31 December 2014.

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 and the Group's joint venture and settlement of notes payable by the Group's joint venture would be in default. According to the terms of the bank loans, the earliest repayment date of the bank loans would be in 2015 and 2017 for an amount of RMB250,000,000 and RMB240,000,000 respectively (2013: in 2014 and 2017 for an amount of RMB100,000,000 and RMB240,000,000 respectively) and the notes payable would be repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

35. 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 Senior Notes) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Gearing ratio

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

The gearing ratio at the reporting date was as follows:

	2014	2013
	RMB'000	RMB'000
Debt (note a)	2,511,754	965,565
Equity (note b)	17,287,996	16,068,024
Debt to equity ratio	15%	6%

Notes:

- (a) Debt comprising borrowings and Senior Notes as detailed in notes 26 and 24 to the consolidated financial statements respectively.
- (b) Equity includes all capital and reserves attributable to equity holders of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers except as disclosed in note 21(a). 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 34(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 and the notes payable of the Group's joint venture. The directors consider the Company's ultimate holding company and the joint venture have 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 price risk

The Group is exposed to the equity price changes arising from the equity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. 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
2014								
Loans and receivables								
Trade receivables	0.08	860,824	2,422,890	288,633	25,575	-	3,597,922	3,595,144
Notes receivable	-	262,906	985,023	7,973,071	-	-	9,221,000	9,221,000
Other receivables	-	712,518	20,830	17,707	-	-	751,055	751,055
Pledged bank deposits	2.38	35,104	13,462	-	-	-	48,566	47,451
Bank balances and cash	0.27	7,222,373	-	-	-	-	7,222,373	7,203,176
Financial assets at fair value through profit or loss	-	15,294	-	-	-	-	15,294	15,294
Available-for-sale financial assets	-	-	-	-	-	28,270	28,270	28,270
		9,109,019	3,442,205	8,279,411	25,575	28,270	20,884,480	20,861,390
Financial liabilities at amortised cost								
Trade payables	-	2,109,073	6,397,267	2,247,627	-	-	10,753,967	10,753,967
Notes payable	-	207,794	48,562	108,560	-	-	364,916	364,916
Other payables	-	1,658,797	671,678	343,500	-	-	2,673,975	2,673,975
Borrowings	4.55	300,230	-	395,561	-	-	695,791	691,616
Senior notes	5.54	-	-	-	-	1,841,547	1,841,547	1,820,138
Financial guarantee contracts	-	478,630	-	-	-	-	478,630	-
		4,754,524	7,117,507	3,095,248	-	1,841,547	16,808,826	16,304,612

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. 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
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

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 and loans and notes payable procured by the Group's joint venture. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to Senior Notes (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 RMB4,000,000.

Currency risk

The Group's consolidated financial statements, which are presented in RMB, are affected by foreign currency exchange rate fluctuations through both transaction risk and translation risk. Except for the trading activities in Russia, 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.

Transaction risk is the risk that the currency mix of the Group's cost base does not match the currency mix of its revenue. Transaction risk primarily relates to revenue derived from sales in Russia against costs mainly incurred in the PRC and denominated in RMB.

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.

	2014				2013			
	Hong Kong dollars RMB'000	United States dollars RMB'000	Australian dollars RMB'000	Euro RMB'000	Hong Kong dollars RMB'000	United States dollars RMB'000	Australian dollars RMB'000	Euro RMB'000
Bank balances and cash	36,919	1,581,650	443,854	52,537	107,290	253,961	130,151	11,265
Trade and other receivables	192	1,663,345	10	281,666	620	2,009,277	-	172,062
Borrowings	-	-	-	-	(102,700)	-	-	-
Senior Notes	-	(1,820,138)	-	-	-	-	-	-
Trade and other payables	-	(209,965)	-	-	-	(80,174)	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in Hong Kong dollars/United States dollars/Australian 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 RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of Hong Kong dollars		Impact of United States dollars		Impact of Australian dollars		Impact of Euro	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit after taxation/ Accumulated profits	1,856	260	45,558	81,865	22,193	6,508	12,533	6,875

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. 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:

2014

	Fair value at 31 December RMB'000	Fair value measurements using		
		Level 1	Level 2	Level 3
		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	15,294	15,294	–	–
Financial liabilities:				
Financial liabilities at amortised cost				
– Senior notes	1,839,153	1,839,153	–	–

2013

	Fair value at 31 December RMB'000	Fair value measurements using		
		Level 1	Level 2	Level 3
		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	–

There was no transfer between instruments in Level 1 and Level 2 for the year ended 31 December 2014 and 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurements of financial instruments (Continued)

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

(ii) *Valuation technique and inputs used in Level 2 fair value measurements*

Fair value of available-for-sale financial assets as at 31 December 2013 was 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.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		128	76
Investments in subsidiaries	38	-	293,697
Interests in an associate	(a)	-	-
Available-for-sale financial asset	(a)	-	-
		128	293,773
Current assets			
Other receivables		1,736	1,847
Amounts due from subsidiaries	(b)	3,582,687	3,821,329
Bank balances and cash		1,932,136	95,425
		5,516,559	3,918,601
Current liabilities			
Other payables		25,861	3,018
Borrowings		-	102,700
		25,861	105,718
Net current assets		5,490,698	3,812,883
Total assets less current liabilities		5,490,826	4,106,656
Capital and reserves			
Share capital	28	161,346	161,346
Reserves	(c)	3,509,342	3,945,310
Total equity		3,670,688	4,106,656
Non-current liabilities			
Senior notes	24	1,820,138	-
		5,490,826	4,106,656

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

37. 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 2014 and 2013.
- (b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (c) The movement of reserves represents:

	2014 RMB'000	2013 RMB'000
At 1 January	3,945,310	3,477,045
Shares issued under share option scheme	–	10,447
Shares issued upon conversion of convertible bonds (note 28)	–	762,188
Recognition of share-based payments	59,850	87,063
Loss for the year	(175,973)	(130,080)
Dividends paid	(319,845)	(261,353)
At 31 December	3,509,342	3,945,310

38. SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
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
Linkstate Overseas Limited	British Virgin Islands	USD1	100%	–	Inactive
Luckview Group Limited	British Virgin Islands	USD1	100%	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

38. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
帝福投資有限公司 Luck Empire Investment Limited	Hong Kong	HK\$1	–	100%	Investment holding
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	–	99%	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
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	–	99%	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	–	99%	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	–	99%	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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

38. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
上海華普汽車銷售有限公司 Shanghai Maple Automobile Sales Company Limited [#]	PRC	RMB20,000,000	–	99%	Marketing and sales of sedans in the PRC
浙江陸虎汽車有限公司 Zhejiang Ruhoo Automobile Company Limited [^]	PRC	RMB418,677,000	–	99%	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 Zhejiang Kingkong Automobile Company Limited [^]	PRC	RMB413,000,000	–	99%	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	–	99%	Production of automobile components in the PRC
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	–	99%	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	–	99%	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 ^{#⑨}	PRC	RMB5,000,000	–	64.4%	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	–	99%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

38. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
成都高原汽車工業有限公司 Chengdu Gaoyuan Automobile Industries Company Limited [#]	PRC	RMB50,000,000	–	99%	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	–	99%	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	–	99%	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	–	99%	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	–	99%	Research, development, production, marketing and sales of sedans and related automobile components in the PRC
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	Russian Rouble 10,000	–	99%	Marketing and sales of sedans in Russia
Fewin S.A.	Uruguay	USD8,010,418	–	100%	Marketing and sales of sedans in South America
浙江吉利羅佑發動機有限公司 Zhejiang Geely Luoyou Engine Company Limited [#]	PRC	RMB500,000,000	–	99%	Production of automobile engines in the PRC

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

38. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interests held		Principal activities
			Directly	Indirectly	
杭州哈曼汽車服務有限公司 Hangzhou Ha Man Automobile Services Company Limited [#]	PRC	RMB500,000	–	64.4% 2013: (32.8%)	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	–	99%	Not yet commenced business
Geely Ukraine, LLC	Ukraine	Ukrainian hryvnia 61,000	–	99%	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	–	99%	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	–	99%	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

38. SUBSIDIARIES (Continued)

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.

	2014	2013
	RMB'000	RMB'000
Non-controlling interest percentage	1%	1%
Non-current assets	7,157,986	7,121,917
Current assets	20,383,805	19,890,896
Current liabilities	(16,475,351)	(17,062,746)
Non-current liabilities	(571,247)	(630,715)
Net assets	10,495,193	9,319,352
Carrying amount of non-controlling interest	100,781	89,023
Revenue	27,161,607	34,993,248
Profit for the year	1,201,424	2,513,720
Other comprehensive income for the year	(25,583)	(1,776)
Total comprehensive income for the year	1,175,841	2,511,944
Profit allocated to non-controlling interest	12,014	25,119
Other comprehensive income allocated to non-controlling interest	(256)	-
Dividend paid to non-controlling interest	-	2,232
Cash flows from operating activities	990,486	2,264,604
Cash flows used in investing activities	(525,697)	(813,339)
Cash flows used in financing activities	(221,703)	(709,853)
Net cash inflows	243,086	741,412

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

39. EVENTS AFTER THE REPORTING DATE

Acquisition of Zhejiang Jirun Chunxiao Automobile Components Company Limited (“Chunxiao Automobile”)

On 6 February 2015, Zhejiang Jirun Automobile Company Limited (“Jirun Automobile”), a 99% owned subsidiary of the Company, and a fellow subsidiary owned by the ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary owned by the ultimate holding company has conditionally agreed to sell the entire equity interest of Chunxiao Automobile for a consideration of approximately RMB1,137,841,000. The acquisition will be subject to, amongst others, the approval of the independent shareholders of the Company at the extraordinary general meeting to be held on 31 March 2015.

Establishment of a joint venture with BNP Paribas Personal Finance

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 JV Company with a registered capital of RMB900 million will be owned as to 80% (or RMB720 million) by the Company and as to 20% (or RMB180 million) by BNP Paribas Personal Finance.

In February 2015, the Company has received the approval to start the set-up of the JV Company issued by the China Banking Regulatory Commission (“CBRC”) (the “Approval”). Pursuant to the Approval, the Company may start the set-up of the JV Company with BNP Paribas Personal Finance within six months from the date of the Approval. The Company and BNP Paribas Personal Finance will comply with the relevant PRC laws and regulations in the preparation for the set-up of the JV Company under the supervision of the relevant PRC authorities. Upon completion of the preparation, the JV Company will officially apply for commencement of operations (the “Operations Commencement Application”) with the CBRC in accordance with relevant PRC requirements and procedures. The wholesale financing business of the JV Company is expected to start as soon as the Operations Commencement Application is approved by the CBRC and the relevant PRC authorities whilst the retail financing business of the JV Company will follow by the end of 2015.

Establishment of Xin Dayang Electric Vehicles Company Limited (“Xin Dayang”)

On 8 January 2015, the Company entered into a joint venture agreement with independent third parties for the establishment of a joint venture company, Xin Dayang, to engage in the research and production of automobile parts, components and engines, production of electric vehicles and the provision of related after-sale services in the PRC. The registered capital of the joint venture will be RMB1,000,000,000 and the Group intended to contribute the entire equity interest in Lanzhou Geely Automobile Industrial Company Limited (“Lanzhou Geely”), its indirect 99% owned subsidiary, valued at RMB500,000,000 as its contribution to the registered capital of Xin Dayang. The contribution of Lanzhou Geely to Xin Dayang will be a deemed disposal of a subsidiary for the Company.

Disposals of assets relating to the 5-speed manual transmissions (“5MTs”) and 6-speed manual transmissions (“6MTs”)

On 4 March 2015, the Company and Zhejiang Wanliyang Transmission Co. Ltd. (“WLY”, a leading transmission company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002434)) entered into an agreement to dispose of assets, mainly the plant and machinery and intangible assets, relating to 5MTs and 6MTs at a consideration of RMB300,000,000, which was determined after the arm’s length negotiations between the parties. Upon completion of the disposal, the Group will no longer be involved in the development and production of 5MTs and 6MTs as WLY by leveraging its expertise in transmission business, will supply these products to the Group and also work on their upgrades.

CORPORATE INFORMATION

Executive Directors:

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

Non-executive Directors:

Mr. Carl Peter Edmund Moriz Forster
Mr. Ran Zhang

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. Fu Yu Wu
Mr. An Qing Heng
Mr. Wang Yang

Audit Committee:

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

Remuneration Committee:

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

Nomination Committee:

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

CORPORATE INFORMATION

Principal Bankers in Hong Kong:

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
Bank of America N.A.

Head Office and Principal Place of Business:

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

Registered Office:

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

Hong Kong Share Registrars & Transfer Office:

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

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

Company's Website:

<http://www.geelyauto.com.hk>

GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 23 號鷹君中心 23 樓 2301 室