吉利汽車控股有限公司

# GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 175)**

## FINANCIAL HIGHLIGHTS:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2013** | 2012 | Change |
| | ***RMB'000*** | *RMB'000* | *%* |
| Turnover/Revenue | **28,707,571** | 24,627,913 | 17 |
| Other income | **1,062,444** | 1,047,685 | 1 |
| Share-based payments | **(87,063)** | (78,789) | 11 |
| Profit for the year | **2,680,248** | 2,049,786 | 31 |
| Profit attributable to the equity holders of the Company | **2,663,136** | 2,039,969 | 31 |
| Earnings per share | | | |
| Basic (RMB cents) | **31.74** | 27.05 | 17 |
| Diluted (RMB cents) | **30.42** | 26.34 | 15 |
| Proposed final dividend (per ordinary share) (HK$) | **0.046** | 0.039 | 18 |

The Board decides to recommend payment of a final dividend of HK$0.046 per ordinary share (2012: HK$0.039 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Thursday, 29 May 2014 at 4:30 p.m. (Hong Kong Time).

**ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013**

The Board of Directors (the "Board") of Geely Automobile Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative figures for 2012 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2013*

| | Note | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| **Turnover/Revenue** | *5* | **28,707,571** | 24,627,913 |
| Cost of sales | | **(22,941,904)** | (20,069,092) |
| Gross profit | | **5,765,667** | 4,558,821 |
| Other income | *6* | **1,062,444** | 1,047,685 |
| Distribution and selling expenses | | **(1,705,070)** | (1,483,014) |
| Administrative expenses, excluding share-based payments | | **(1,682,285)** | (1,319,308) |
| Share-based payments | | **(87,063)** | (78,789) |
| Finance costs, net | *8* | **(39,974)** | (194,605) |
| Share of results of associates | | **(175)** | (1,713) |
| Share of result of a joint venture | | **(9,362)** | – |
| **Profit before taxation** | | **3,304,182** | 2,529,077 |
| Taxation | *7* | **(623,934)** | (479,291) |
| **Profit for the year** | *8* | **2,680,248** | 2,049,786 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **2,663,136** | 2,039,969 |
| Non-controlling interests | | **17,112** | 9,817 |
| | | **2,680,248** | 2,049,786 |
| **Earnings per share** | | | |
| Basic | *10* | **RMB31.74 cents** | RMB27.05 cents |
| Diluted | *10* | **RMB30.42 cents** | RMB26.34 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

| | *Note* | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **6,208,554** | 7,007,742 |
| Intangible assets | | **3,220,043** | 2,814,497 |
| Goodwill | | **6,222** | 6,222 |
| Interests in associates | | **261,385** | 195,165 |
| Interests in a joint venture | | **411,784** | – |
| Available-for-sale financial assets | | **14,492** | 3,661 |
| Prepaid land lease payments | | **1,166,070** | 1,461,026 |
| Deferred tax assets | *15* | **59,411** | 36,561 |
| | | **11,347,961** | 11,524,874 |
| **Current assets** | | | |
| Prepaid land lease payments | | **30,098** | 38,144 |
| Inventories | | **1,783,692** | 1,822,287 |
| Trade and other receivables | *11* | **14,785,486** | 13,475,632 |
| Financial assets at fair value through profit or loss | | **13,114** | 12,676 |
| Tax recoverable | | **55,739** | 3,816 |
| Pledged bank deposits | | **105,471** | 313,535 |
| Bank balances and cash | | **5,477,747** | 4,188,862 |
| | | **22,251,347** | 19,854,952 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **16,074,808** | 15,183,394 |
| Tax payable | | **196,728** | 130,789 |
| Borrowings | | **965,565** | 1,378,933 |
| | | **17,237,101** | 16,693,116 |
| **Net current assets** | | **5,014,246** | 3,161,836 |
| **Total assets less current liabilities** | | **16,362,207** | 14,686,710 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *13* | **161,346** | 152,557 |
| Reserves | | **15,906,678** | 12,734,100 |
| Equity attributable to equity holders of the Company | | **16,068,024** | 12,886,657 |
| Non-controlling interests | | **161,667** | 317,367 |
| **Total equity** | | **16,229,691** | 13,204,024 |
| **Non-current liabilities** | | | |
| Convertible bonds | *14* | **–** | 848,649 |
| Borrowings | | **–** | 525,000 |
| Deferred tax liabilities | *15* | **132,516** | 109,037 |
| | | **132,516** | 1,482,686 |
| | | **16,362,207** | 14,686,710 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital<br>*RMB'000* | Share premium<br>*RMB'000* | Capital reserve<br>*RMB'000* | Statutory and staff welfare reserve<br>*RMB'000* | Translation reserve<br>*RMB'000* | Share option reserve<br>*RMB'000* | Convertible bonds and warrant reserve<br>*RMB'000* | Fair value reserve<br>*RMB'000* | Accumulated profits<br>*RMB'000* | Sub-total<br>*RMB'000* | Non-controlling interests<br>*RMB'000* | Total<br>*RMB'000* |
| **Balance at 1 January 2012** | 139,573 | 3,475,208 | 88,059 | 17,401 | 112,205 | 417,886 | 232,864 | (174) | 5,099,178 | 9,582,200 | 567,915 | 10,150,115 |
| Profit for the year | – | – | – | – | – | – | – | – | 2,039,969 | 2,039,969 | 9,817 | 2,049,786 |
| Other comprehensive income: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations recognised | – | – | – | – | (1,028) | – | – | – | – | (1,028) | – | (1,028) |
| Gain arising on revaluation of available-for-sale financial assets | – | – | – | – | – | – | – | 132 | – | 132 | – | 132 |
| **Total comprehensive income for the year** | – | – | – | – | (1,028) | – | – | 132 | 2,039,969 | 2,039,073 | 9,817 | 2,048,890 |
| Transactions with owners: | | | | | | | | | | | | |
| Transfer of reserve | – | – | – | 42,781 | – | – | – | – | (42,781) | – | – | – |
| Shares issued under share option scheme | 514 | 28,936 | – | – | – | (5,257) | – | – | – | 24,193 | – | 24,193 |
| Capital contribution from a non-controlling shareholder | – | – | – | – | – | – | – | – | – | – | 245 | 245 |
| Acquisition of additional equity interests in subsidiaries | – | – | – | – | – | – | – | – | 15,391 | 15,391 | (259,777) | (244,386) |
| Recognition of share-based payments | – | – | – | – | – | 78,789 | – | – | – | 78,789 | – | 78,789 |
| Shares issued upon conversion of convertible bonds | 7,618 | 795,046 | – | – | – | – | (79,666) | – | – | 722,998 | – | 722,998 |
| Shares issued upon exercise of warrants | 4,852 | 648,617 | – | – | – | – | (59,927) | – | – | 593,542 | – | 593,542 |
| Dividends paid | – | – | – | – | – | – | – | – | (169,529) | (169,529) | (833) | (170,362) |
| **Total transactions with owners** | 12,984 | 1,472,599 | – | 42,781 | – | 73,532 | (139,593) | – | (196,919) | 1,265,384 | (260,365) | 1,005,019 |
| **Balance at 31 December 2012** | 152,557 | 4,947,807 | 88,059 | 60,182 | 111,177 | 491,418 | 93,271 | (42) | 6,942,228 | 12,886,657 | 317,367 | 13,204,024 |
| 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 16) | – | – | – | – | – | – | – | – | – | – | (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 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2013*

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **3,304,182** | 2,529,077 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **1,077,995** | 860,096 |
| Interest income | | **(59,263)** | (42,156) |
| Finance costs | | **99,237** | 236,761 |
| Share of results of associates | | **175** | 1,713 |
| Impairment loss on interests in an associate | | **663** | – |
| Share of result of a joint venture | | **9,362** | – |
| Loss/(Gain) on disposal of property, plant and equipment | | **8,781** | (1,883) |
| Loss/(Gain) on disposal and written off of intangible assets | | **180,110** | (264) |
| Gain on disposal of prepaid land lease payments | | **(78,854)** | – |
| Net foreign exchange gain | | **(8,992)** | (14,861) |
| Gain on disposal of subsidiaries | *16* | **(7,659)** | – |
| Gain on disposal of available-for-sale financial assets | | **–** | (1,176) |
| Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading | | **(438)** | (451) |
| Share-based payment expenses | | **87,063** | 78,789 |
| Bad debts written off | | **3,626** | – |
| Impairment loss on inventories | | **4,040** | – |
| Operating profit before working capital changes | | **4,620,028** | 3,645,645 |
| Inventories | | **(48,628)** | (464,781) |
| Trade and other receivables | | **(1,725,716)** | (1,346,684) |
| Trade and other payables | | **1,325,453** | 3,314,131 |
| Cash from operations | | **4,171,137** | 5,148,311 |
| Income taxes paid | | **(609,568)** | (710,712) |
| *Net cash from operating activities* | | **3,561,569** | 4,437,599 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*For the year ended 31 December 2013*

| | Note | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(930,264)** | (1,076,262) |
| Proceeds from disposal of property, plant and equipment | | **654,158** | 101,640 |
| Addition of prepaid land lease payments | | **(191,033)** | (29,237) |
| Proceeds from disposal of prepaid land lease payments | | **584,040** | 9,478 |
| Addition of intangible assets | | **(900,655)** | (816,624) |
| Proceeds from disposal of intangible assets | | **26,190** | 13,857 |
| Change in pledged bank deposits | | **208,064** | 39,997 |
| Net cash inflow on disposal of subsidiaries | *16* | **173,001** | – |
| Acquisition of additional interests in subsidiaries | | **–** | (244,386) |
| Capital contribution from a non-controlling shareholder | | **–** | 245 |
| Investments in associates | | **(37,333)** | (112,262) |
| Investment in a joint venture | | **(500,000)** | – |
| Purchase of available-for-sale financial assets | | **(10,800)** | (180,814) |
| Proceeds from disposal of available-for-sale financial assets | | **–** | 181,175 |
| Interest received | | **59,263** | 42,156 |
| *Net cash used in investing activities* | | **(865,369)** | (2,071,037) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(263,585)** | (170,362) |
| Proceeds from issuance of shares upon exercise of share options | | **10,679** | 24,193 |
| Proceeds from issuance of shares upon exercise of warrants | | **–** | 593,542 |
| Compensation paid to Investors for the Excess Conversion Shares of CB 2014 | *14* | **(98,051)** | – |
| Proceeds from borrowings | | **847,809** | 2,463,410 |
| Repayment of borrowings | | **(1,777,868)** | (3,923,892) |
| Interest paid | | **(84,895)** | (193,061) |
| *Net cash used in financing activities* | | **(1,365,911)** | (1,206,170) |
| **Increase in cash and cash equivalents** | | **1,330,289** | 1,160,392 |
| Cash and cash equivalents at beginning of year | | **4,188,862** | 3,030,391 |
| Effect of foreign exchange rate changes | | **(41,404)** | (1,921) |
| **Cash and cash equivalents at end of year, represented by** | | | |
| Bank balances and cash | | **5,477,747** | 4,188,862 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2013*

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public listed limited liability company incorporated in the Cayman Islands as an exempted limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). At 31 December 2013, the directors consider the ultimate holding company of the Company to be Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is incorporated in the People's Republic of China ("PRC") and Mr. Li Shu Fu is the ultimate controlling party of the Company.

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as fair value through profit or loss are stated at their fair value.

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

### 2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013:

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

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

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

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

**HKFRS 10 – Consolidated Financial Statements**

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

**HKFRS 11 – Joint Arrangements**

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

**HKFRS 12 – Disclosure of Interests in Other Entities**

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

**HKFRS 13 – Fair Value Measurement**

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

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

## 3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

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

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

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

**HKFRS 9 – Financial Instruments**

Under HKFRS 9, all recognised financial assets that are within the scope of the HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

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

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

## 4. SEGMENT INFORMATION

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

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

Gearboxes: Manufacture and sale of gearboxes.

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

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

**Geographical information**

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

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

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

## 5. 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.

## 6. OTHER INCOME

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading | **438** | 451 |
| Rental income *(note a)* | **44,465** | 41,089 |
| Gain on disposal of scrap materials | **45,800** | 56,226 |
| Gain on disposal of subsidiaries *(note 16)* | **7,659** | – |
| Gain on disposal of property, plant and equipment | **–** | 1,883 |
| Gain on disposal of prepaid land lease payments | **78,854** | – |
| Gain on disposal of intangible assets | **–** | 264 |
| Government grants and subsidies *(note b)* | **800,048** | 870,119 |
| Gain on disposal of available-for-sale financial assets | **–** | 1,176 |
| Gain on sale of moulds | **–** | 12,089 |
| Net foreign exchange gain | **–** | 1,826 |
| Sundry income | **85,180** | 62,562 |
| | **1,062,444** | 1,047,685 |

*Notes:*

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

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

## 7. TAXATION

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current tax: | | |
| PRC enterprise income tax | **620,912** | 476,135 |
| Other overseas tax | **10,007** | 26,482 |
| Overprovision in prior years | **(6,299)** | (3,591) |
| | **624,620** | 499,026 |
| Deferred taxation *(note 15)* | **(686)** | (19,735) |
| | **623,934** | 479,291 |

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

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were entitled to an exemption from PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction for the next three years. Tax concessions ended in 2012.

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.

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

| | **2013**<br>***RMB'000*** | 2012<br>*RMB'000* |
|---|---|---|
| Profit before taxation | **3,304,182** | 2,529,077 |
| Tax at the PRC enterprise income tax rate of 25% (2012: 25%) | **826,046** | 632,269 |
| Tax effect of expenses not deductible in determining taxable profit | **110,766** | 105,307 |
| Tax effect of non-taxable income | **(21,324)** | (18,069) |
| Tax effect of unrecognised tax losses | **18,726** | 19,132 |
| Utilisation of previously unrecognised tax losses | **(6,578)** | (11,098) |
| Tax effect of different tax rates of entities operating in other jurisdictions | **14,533** | 8,989 |
| Deferred tax charge on distributable profits withholding tax *(note 15)* | **17,649** | 18,464 |
| Effect of tax exemption granted to the PRC subsidiaries | **(329,585)** | (272,112) |
| Overprovision in prior years | **(6,299)** | (3,591) |
| Tax expense for the year | **623,934** | 479,291 |

The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of RMB17,649,000 (2012: RMB18,464,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

## 8. PROFIT FOR THE YEAR

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

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

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

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

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

## 9. DIVIDENDS

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

A final dividend for the year ended 31 December 2013 of HK$0.046 per share amounting to approximately RMB319,845,000 has been proposed by the Board of Directors after the reporting date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2014 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

## 10. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB2,663,136,000 (2012: RMB2,039,969,000) and weighted average number of ordinary shares of 8,391,650,767 shares (2012: 7,541,269,744 shares), calculated as follows:

*(i) Weighted average number of ordinary shares*

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

### (b) Diluted earnings per share

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

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

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

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

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

## 11. TRADE AND OTHER RECEIVABLES

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

### (a) Trade receivables

The Group allows an average credit period of 30 days to 90 days to its local PRC trade customers. The following is an aged analysis of the trade receivables of local PRC trade customers based on invoice dates at the reporting dates:

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

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

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

Of the total trade receivables balance at 31 December 2013, RMB117,159,000 (2012: RMB402,036,000) was due from the Group's largest customer. Other than the largest customer, there were three customers (2012: one) who represented more than 10% of the total balance of trade receivables.

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

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

As at 31 December 2013, trade receivables of RMB3,489,507,000 (2012: RMB2,162,043,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables balance were debtors with a carrying amount of RMB302,420,000 (2012: RMB411,014,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances. No material impairment has been made to the trade receivables balance. Receivables that were past due but not impaired were mainly due from large corporations with which the Group has long trading history and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

**(b) Notes receivable**

All notes receivable are denominated in Renminbi and are notes received from third parties for settlement of trade receivable balances. As at 31 December 2013 and 2012, all notes receivable are guaranteed by established banks in the PRC and have maturities of six months or less from the reporting date.

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

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

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

**(d) Amount due from a joint venture**

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

Except for trade and other receivables amounting to RMB44,393,000 (2012: RMB113,770,000) which is expected to be recovered after 1 year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within 1 year.

## 12. TRADE AND OTHER PAYABLES

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

**(a) Trade payables**

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

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

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

**(b) Notes payable**

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

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

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

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

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

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

## 13. SHARE CAPITAL

| | Number of shares | Nominal value |
|---|---|---|
| | | *RMB'000* |
| Authorised: | | |
| Ordinary shares of HK$0.02 each | | |
| At 31 December 2012 and 31 December 2013 | **12,000,000,000** | **246,720** |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.02 each | | |
| At 1 January 2012 | 7,457,460,450 | 139,573 |
| Shares issued under share option scheme | 31,705,000 | 514 |
| Shares issued upon conversion of convertible bonds | 470,256,584 | 7,618 |
| Shares issued upon exercise of warrants | 299,526,900 | 4,852 |
| At 31 December 2012 and 1 January 2013 | 8,258,948,934 | 152,557 |
| Shares issued under share option scheme *(note a)* | 14,330,000 | 232 |
| Shares issued upon conversion of convertible bonds *(note b)* | 528,167,606 | 8,557 |
| At 31 December 2013 | **8,801,446,540** | **161,346** |

*Notes:*

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

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

## 14. CONVERTIBLE BONDS

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

The CB 2014 are convertible into fully paid ordinary shares of HK$0.02 each of the Company at an initial conversion price of RMB1.67 (equivalent to HK$1.9) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2012, the conversion price of the CB 2014 was changed from RMB1.637 (equivalent to HK$1.8583) per share to RMB1.622 (equivalent to HK$1.8408) per share from 10 July 2013 in accordance with the provisions of CB 2014.

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

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

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

CB 2014 was issued together with the Warrants under the general mandate in 2009. The original general mandate limit was 1,297,951,090 Shares (the "General Mandate"). Upon partial conversion of CB2014 (470,256,584 Shares were issued) and full exercise of the Warrants (299,526,900 Shares were issued) in prior years, the unutilised General Mandate left was 528,167,606 Shares (the "Unutilised General Mandate").

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

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

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

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

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

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Liability component | | |
| Carrying amount brought forward | **854,590** | 1,533,889 |
| Accrued effective interest charges | **14,206** | 93,019 |
| Interest paid during the year | **–** | (49,320) |
| Conversion during the year | **(868,796)** | (722,998) |
| | **–** | 854,590 |
| Liability component is represented by: | | |
| Convertible bonds | **–** | 848,649 |
| Accrued interest included in trade and other payables *(note 12)* | **–** | 5,941 |
| | **–** | 854,590 |

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

## 15. DEFERRED TAXATION

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

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| At 1 January | **72,476** | 92,194 |
| Exchange differences | **1,315** | 17 |
| Credit to the consolidated income statement *(note 7)* | **(686)** | (19,735) |
| At 31 December | **73,105** | 72,476 |

**Deferred tax assets**

| | Provisions<br>*RMB'000* | Others<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| At 1 January 2012 | 21,177 | – | 21,177 |
| Exchange differences | 232 | – | 232 |
| (Charge)/Credit to the consolidated income statement | (2,846) | 36,561 | 33,715 |
| At 31 December 2012 and 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** |

**Deferred tax liabilities**

| | Undistributed profit of subsidiaries *RMB'000* | Accelerated tax depreciation *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| At 1 January 2012 | 96,403 | 16,968 | 113,371 |
| Exchange differences | – | 249 | 249 |
| Charge/(Credit) to the consolidated income statement | 18,464 | (4,484) | 13,980 |
| At 31 December 2012 and 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** |

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

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

Withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. The unrecognised temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB713 million (2012: RMB1,178 million).

At the reporting date, the Group has unused tax losses of approximately RMB159 million (2012: RMB185 million) available for offset against future profits that may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

## 16. DISPOSAL OF SUBSIDIARIES

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

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

*Note:*

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

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

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

## 17. POST BALANCE SHEET EVENT

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's financial performance in 2013 beat our expectations with total revenue increased by 17% to RMB28.71 billion for the year ended 31 December 2013, helped by the continued improvement in our product mix and therefore better margins. This was despite faster growth in administrative expenses due to additional expenses incurred by corporate restructuring and higher research and development ("R&D") investments. The Group's product mix continued to improve in 2013. Our flagship mid-size sedan model "EC7" remained the Group's most popular model in terms of sales volume, accounting for 35% of the Group's total sales volume in 2013. Total net profit of the Group was up 31% from RMB2.05 billion in 2012 to RMB2.68 billion in 2013. After accounting for non-controlling interests, net profit attributable to shareholders of the Company was up 31% from RMB2.04 billion in 2012 to RMB2.66 billion in 2013. Diluted earnings per share was up 15% to RMB30.42 cents. The strong operational cash flow during the year and the conversion of all the outstanding convertible bonds in October 2013 further strengthened our financial position with net cash increasing 164% to RMB4.6 billion at the end of 2013.

### Business Overview

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

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

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

## Outlook

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

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

On the positive front, the Group's overall competitiveness has strengthened significantly over the past few years following the success of its strategic transformation to improve brand image, product and service quality, technology and innovation. In addition, the Group's financial position has improved significantly, thanks to strong operational cash flow, reduced debt and increased equity after the full conversion of its convertible bonds in 2013. This should allow the Group to continue investing for the future, further enhancing its core strength in powertrain technologies, customer satisfaction and supply chains, thus putting the Group in a much stronger position to meet any challenges.

2014 should also see increased investment by the Group in the area of new energy vehicles and the application of internet, computer and mobile communication technologies in our products and services. The Group's strategy is to leverage on the strength, resources and expertise of leading industry players to speed up the Group's product offering in these areas.

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

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

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

## CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market. As at 31 December 2013, the Group's shareholders' funds amounted to approximately RMB16.1 billion (as at 31 December 2012: approximately RMB12.9 billion). The Company issued 14.33 million ordinary shares upon exercise of share options during the year. On 7 October 2013, the Company received conversion notices from the investors for the full conversion of the outstanding 3% coupon convertible bonds due in 2014 or "CB 2014" issued by the Company in 2009 in the principal amount of around RMB901.3 million at a conversion price of HK$1.8408 per share, resulting in the issue of around 528.17 million new shares together with the cash settlement of about HK$121 million to the investors.

## EXPOSURE TO FOREIGN EXCHANGE RISK

The Group considers that fluctuations in exchange rate do not impose a significant risk to the Group since the Group's operations are principally in the Mainland China and the Group's assets and liabilities are mainly denominated in Renminbi, the functional currency of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group's current ratio (current assets/current liabilities) was about 1.29 (as at 31 December 2012: 1.19) and the gearing ratio of the Group was about 6.0% (as at 31 December 2012: 21.4%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2013, the increase in receivables was (a) mainly due to more contribution from the Group's export sales and the strong sales momentum for the Group's models particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivable from its customers during that period;

and (b) thanks to the relatively low interest environment and strong net cash level, the Group did not opt to discount these notes receivable without recourse but wait to hold them until maturity during most of the times in 2013. In addition, in order to secure an adequate supply of automobile parts & components (in particular, steel, out-sourced engines and other high-end electronic parts & components) from the Group's supply chain during the peak season in the fourth quarter of 2013, the Group had to prepay these inventories to its suppliers towards the end of 2013. Separately, the strong sales momentum for the Group's products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2013, the receipts in advance from customers represented almost 9% (as at 31 December 2012: 17%) of the total current liabilities. Accordingly, the net effect of the above resulted in an increase in current ratio at the end of year 2013 over the previous year.

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

## EMPLOYEES' REMUNERATION POLICY

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

## PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK$0.046 per ordinary share for the year ended 31 December 2013. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 29 May 2014 at 4:30 p.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2014 to shareholders whose names shall appear on the register of members of the Company on 13 June 2014.

## CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2014 to 29 May 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 29 May 2014, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 26 May 2014.

The register of members of the Company will be closed from 11 June 2014 to 13 June 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 10 June 2014.

## CORPORATE GOVERNANCE

For the year ended 31 December 2013, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report ("CG Code"), as set out in Appendix 14 to the Listing Rules, except for CPs A.2.7, A.6.7 and E.1.2.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. Although the Chairman did not hold a meeting with the non-executive Director and the independent non-executive Directors without the presence of executive Directors during the year, he delegated the Company Secretary to gather any concerns and/or questions that the non-executive Director and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

CP E.1.2 provides that the Chairman and the chairman of respective Board committees shall attend the annual general meeting of the Company and CP A.6.7 stipulates that the independent non-executive Directors and the non-executive Director shall attend the general meetings of the Company. If the Chairman could not attend the general meeting of the Company in person, he would assign an executive Director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries shareholders might have, to attend the general meeting on his behalf. Further, the Company would facilitate a conference call for shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. In addition, the external auditors shall attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies and auditors' independence.

The Company held its annual general meeting on 16 May 2013. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman of the Board, was unable to attend the general meeting in person. Mr. Ang Siu Lun, Lawrence, an executive Director, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, and Grant Thornton Hong Kong Limited, the Company's external auditors, attended and answered questions raised by the shareholders of the Company at the general meeting physically. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call.

## 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 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.

## AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang, who are the independent non-executive directors of the Company.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2013.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Thursday, 29 May 2014 at 4:30 p.m. (Hong Kong Time). A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

## SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited (the "Auditors"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

## ANNOUNCEMENT OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2013 annual report will set out all information disclosed in the annual results announcement for 2013 and will be disclosed on the websites of the Company (http://www.geelyauto.com.hk) and The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) on or before 30 April 2014.

By Order of the Board of
**Geely Automobile Holdings Limited**
**Li Shu Fu**
*Chairman*

Hong Kong, 19 March 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Mr. Li Dong Hui, Daniel, Mr. Liu Jin Liang and Ms. Wei Mei, the non-executive director of the Company is Mr. Carl Peter Edmund Moriz Forster and the independent non-executive directors of the Company are Mr. Song Lin, Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu and Mr. Wang Yang.*