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		
	2012	2011	Change
	RMB'000	*RMB'000*	*%*
		(Restated)	
Turnover/Revenue	**24,627,913**	20,964,931	17
Other income	**1,047,685**	997,035	5
Share-based payments	**(78,789)**	(137,150)	(43)
Profit for the year	**2,049,786**	1,715,849	19
Profit attributable to the equity holders of the Company	**2,039,969**	1,543,437	32
Earnings per share			
Basic (RMB cents)	**27.05**	20.72	31
Diluted (RMB cents)	**26.34**	19.20	37
Proposed final dividend (per ordinary share) (HK$)	**0.039**	0.028	39

The Board decides to recommend payment of a final dividend of HK$0.039 per ordinary share (2011: HK$0.028 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, 16 May 2013 at 10:00 a.m. (Hong Kong Time).

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012, together with the comparative figures for 2011 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 *RMB'000*	2011 *RMB'000* (Restated) *(Note 4)*
Turnover/Revenue	6	**24,627,913**	20,964,931
Cost of sales		**(20,069,092)**	(17,144,820)
Gross profit		**4,558,821**	3,820,111
Other income	7	**1,047,685**	997,035
Distribution and selling expenses		**(1,483,014)**	(1,359,337)
Administrative expenses, excluding share-based payments		**(1,319,308)**	(962,980)
Share-based payments		**(78,789)**	(137,150)
Finance costs, net	9	**(194,605)**	(167,272)
Share of results of associates		**(1,713)**	(7,199)
Profit before taxation		**2,529,077**	2,183,208
Taxation	8	**(479,291)**	(467,359)
Profit for the year	9	**2,049,786**	1,715,849
Attributable to:			
Equity holders of the Company		**2,039,969**	1,543,437
Non-controlling interests		**9,817**	172,412
		2,049,786	1,715,849
Earnings per share			
Basic	11	**RMB27.05 cents**	RMB20.72 cents
Diluted	11	**RMB26.34 cents**	RMB19.20 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	**2012**	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**7,007,742**	6,795,825
Intangible assets		**2,814,497**	2,221,745
Goodwill		**6,222**	6,222
Interests in associates		**195,165**	83,719
Available-for-sale financial assets		**3,661**	3,636
Prepaid land lease payments		**1,461,026**	1,479,575
Deferred tax assets	16	**36,561**	–
		11,524,874	10,590,722
Current assets			
Prepaid land lease payments		**38,144**	37,582
Inventories		**1,822,287**	1,357,506
Trade and other receivables	12	**13,475,632**	12,214,691
Financial assets at fair value through profit or loss		**12,676**	12,225
Tax recoverable		**3,816**	109
Pledged bank deposits		**313,535**	353,532
Bank balances and cash		**4,188,862**	3,030,391
		19,854,952	17,006,036
Current liabilities			
Trade and other payables	13	**15,183,394**	12,114,356
Taxation		**130,789**	338,768
Borrowings		**1,378,933**	2,531,639
		16,693,116	14,984,763
Net current assets		**3,161,836**	2,021,273
Total assets less current liabilities		**14,686,710**	12,611,995
CAPITAL AND RESERVES			
Share capital	14	**152,557**	139,573
Reserves		**12,734,100**	9,442,627
Equity attributable to equity holders of the Company		**12,886,657**	9,582,200
Non-controlling interests		**317,367**	567,915
Total equity		**13,204,024**	10,150,115
Non-current liabilities			
Convertible bonds	15	**848,649**	1,526,760
Borrowings		**525,000**	842,926
Deferred tax liabilities	16	**109,037**	92,194
		1,482,686	2,461,880
		14,686,710	12,611,995

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012, the directors consider the ultimate holding company of the Company to be Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is incorporated in the People's Republic of China ("PRC").

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

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

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 2012:

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

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

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

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

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

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

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

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

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

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

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

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

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

HKFRS 9 – Financial Instruments

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

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

HKFRS 10 – Consolidated Financial Statements

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

HKFRS 11 – Joint Arrangements

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

HKFRS 12 – Disclosure of Interests in Other Entities

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

HKFRS 13 – Fair Value Measurement

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

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

4. CHANGE IN PRESENTATION ON BANK AND OTHER INTEREST INCOME

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

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

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

5. SEGMENT INFORMATION

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

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

Gearboxes: Manufacture and sale of gearboxes.

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

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

Consolidated income statement

For the year ended 31 December 2012

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

Consolidated statement of financial position

At 31 December 2012

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

Other information

For the year ended 31 December 2012

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

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

Consolidated income statement *(Restated)*

For the year ended 31 December 2011

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

Consolidated statement of financial position

At 31 December 2011

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

Other information

For the year ended 31 December 2011

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

Note: Capital additions include those arising from the acquisition of subsidiaries (note 18) and are presented before the deduction of the asset-related government grants received (if any).

Geographical information

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

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

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

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. OTHER INCOME

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

Notes:

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

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

8. TAXATION

	2012	2011
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**476,135**	415,846
Other overseas tax	**26,482**	977
(Over)/Underprovision in prior years	**(3,591)**	31,362
	499,026	448,185
Deferred taxation *(note 16)*	**(19,735)**	19,174
	479,291	467,359

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

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

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

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

	2012	2011
	RMB'000	RMB'000
Profit before taxation	**2,529,077**	2,183,208
Tax at the PRC enterprise income tax rate of 25% (2011: 25%)	**632,269**	545,802
Tax effect of expenses not deductible in determining taxable profit	**105,307**	152,851
Tax effect of non-taxable income	**(18,069)**	(46,486)
Tax effect of unrecognised tax losses	**19,132**	15,767
Utilisation of previously unrecognised tax losses	**(11,098)**	(75,300)
Tax effect of different tax rates of entities operating in other jurisdictions	**8,989**	21,720
Deferred tax charge on distributable profits withholding tax *(note 16)*	**18,464**	29,156
Effect of tax exemption granted to the PRC subsidiaries	**(272,112)**	(207,513)
(Over)/Underprovision in prior years	**(3,591)**	31,362
Tax expense for the year	**479,291**	467,359

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

9. PROFIT FOR THE YEAR

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

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

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

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

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

10. DIVIDENDS

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

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

(i) Weighted average number of ordinary shares

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

(b) Diluted earnings per share

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

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

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

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

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

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

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

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

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

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

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

(b) Notes receivable

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

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

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

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

(b) Notes payable

All notes payable are denominated in Renminbi and are notes paid to third parties for settlement of trade payable balances. As at 31 December 2012 and 2011, all notes payable have maturities of less than 1 year from the reporting date.

(c) Amounts due to related parties

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

(d) Amount due to ultimate holding company

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

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

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

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

14. SHARE CAPITAL

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

Notes:

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

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

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

15. CONVERTIBLE BONDS

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

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

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

Redemption

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

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

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

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

	2012	2011
	RMB'000	*RMB'000*
Liability component		
Carrying amount brought forward	**1,533,889**	1,488,725
Accrued effective interest charges	**93,019**	93,829
Interest paid during the year	**(49,320)**	(48,665)
Conversion during the year	**(722,998)**	–
	854,590	1,533,889
Liability component is represented by:		
Convertible bonds	**848,649**	1,526,760
Accrued interest included in trade and other payables *(note 13)*	**5,941**	7,129
	854,590	1,533,889

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

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

16. DEFERRED TAXATION

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

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**92,194**	73,013
Exchange differences	**17**	7
(Credit)/Charge to the consolidated income statement *(note 8)*	**(19,735)**	19,174
At 31 December	**72,476**	92,194

Deferred tax assets

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

Deferred tax liabilities

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

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

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

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

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

17. WARRANTS

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

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

18. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

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

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

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

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

19. EVENTS AFTER THE REPORTING DATE

Formation of a new joint venture

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

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

Disposal of a subsidiary

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall, our financial performance in 2012 beat our original expectations with total revenue increased by 17% to RMB24.63 billion for the year ended 31 December 2012, reflecting a continued improvement in the product mix which resulted in a higher average ex-factory price. Profit attributable to the equity holders of the Company grew faster, up 32% to RMB2.04 billion, helped by the acquisition of additional 8% stakes in major operating subsidiaries (with details set out in the Company's circular dated 12 December 2011) completed in phases from December 2011 to February 2012. The Group's product mix continued to improve in 2012. Our flagship mid-sized sedan model "EC7", with retail prices ranging from RMB79,800 to RMB113,800, remained the Group's most popular model in term of sales volume, which accounted for 29% of the Group's total sales volume in 2012. Total net profit of the Group was up 19% from RMB1.72 billion in 2011 to RMB2.05 billion in 2012. After accounting for non-controlling interests, net profit attributable to shareholders of the Company was up 32% from RMB1.54 billion in 2011 to RMB2.04 billion in 2012. The strong operational cash flow during the year combined with the full exercise of all the warrants and the partial conversion of the convertible bonds in November 2012 (with details set out in the Company's announcement dated 29 November 2012) had resulted in much stronger financial position of the Group with net cash of RMB1.7 billion at the end of 2012 compared with a net debt of RMB1.5 billion a year ago.

Business Overview

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

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

Outlook

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

In 2013, the Group plans to offer automatic transmissions in most of its major models, thus significantly enhancing the attractiveness of its products. The Group will continue to replace its older models with more sophisticated new models with more advanced powertrain technologies. Further, more new SUV models and the first MPV model are scheduled to be launched by the Group within the year, further broadening the Group's product range. Most of the new models launched in 2012 have continued to perform well in 2013 so far and should continue to support the Group's overall sales volume growth in 2013. This, together with the additional growth contribution from exports, should allow the Group to speed up its sales growth in 2013. As a result, the Group's Board of Directors set our 2013 sales volume target at 560,000 units, up 16% from 2012.

CAPITAL STRUCTURE AND TREASURY POLICIES

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

EXPOSURE TO FOREIGN EXCHANGE RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Total borrowings (excluding trade and other payables) as at 31 December 2012 amounted to approximately RMB2.8 billion (as at 31 December 2011: approximately RMB4.9 billion) were mainly the Group's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on early redemption or maturity. For the bank borrowings, they were mostly secured, interest-bearing and repaid on maturity. The significant decrease in gearing ratio during the year was mainly due to a combination of (a) the substantial decrease of Company's convertible bonds as a result of its partial conversion in November 2012; (b) the decrease in the Group's borrowings thanks to the improved cash reserve for repayment of borrowings upon maturity; and (c) the increase in equity as a result of a combination of issue of additional shares upon partial conversion of convertible bonds and full exercise of warrants and the record-high profit attained by the Group in the year of 2012. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2012, the total number of employees of the Group was about 18,512 (as at 31 December 2011: 17,288). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

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 2012.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK$0.039 per ordinary share for the year ended 31 December 2012. The proposed dividend payments are subject to approval by the shareholders at the annual general meeting of the Company to be held on Thursday, 16 May 2013 at 10:00 a.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2013 to shareholders whose names shall appear on the register of members of the Company on 31 May 2013.

CLOSING OF REGISTER OF MEMBERS

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

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

CORPORATE GOVERNANCE

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

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

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

The Company held its annual general meeting on 18 May 2012. Due to business commitment in the PRC, Mr. Li Shu Fu, the chairman 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, Mr. Yeung Sau Hung, Alex, an independent non-executive Director and the chairman of the Remuneration Committee, and Grant Thornton Hong Kong Limited, the Company's external auditors, attended the annual general meeting physically and answered questions raised by the shareholders of the Company. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, and Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call.

To approve the discloseable and continuing connected transactions (details are set out in the Company's circular dated 6 December 2012) for the Company, the Company held an extraordinary general meeting on 24 December 2012. Due to business commitment in the PRC, Mr. Li Shu Fu, the chairman 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, Mr. Yeung Sau Hung, Alex, an independent non-executive Director and the chairman of the Remuneration Committee, the Company's financial adviser, and the independent financial adviser attended the extraordinary general meeting physically and answered questions raised by the shareholders of the Company. Mr. Fu Yu Wu, an independent non-executive Director and the chairman of the Nomination Committee, and Mr. Wang Yang, an independent non-executive Director, and other executive Directors attended the meeting via conference call.

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 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Thursday, 16 May 2013 at 10:00 a.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 2012 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited (the "Auditors"), to the amounts set out in the Group's 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 2012 annual report will set out all information disclosed in the annual results announcement for 2012 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 2013.

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

Hong Kong, 20 March 2013

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