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		
	2014	2013	Change
	RMB'000	*RMB'000*	%
Turnover/Revenue	**21,738,358**	28,707,571	(24)
Other income	**1,054,625**	1,062,444	(1)
Share-based payments	**(59,850)**	(87,063)	(31)
Profit for the year	**1,449,128**	2,680,248	(46)
Profit attributable to the equity holders of the Company	**1,430,588**	2,663,136	(46)
Earnings per share			
Basic (RMB cents)	**16.25**	31.74	(49)
Diluted (RMB cents)	**16.25**	30.42	(47)
Proposed final dividend (per ordinary share) (HK$)	**0.025**	0.046	(46)

The Board decides to recommend payment of a final dividend of HK$0.025 per ordinary share (2013: HK$0.046 per ordinary share), and such proposal is subject to approval by shareholders at the annual general meeting of the Company to be held on Friday, 29 May 2015 at 4:00 p.m. (Hong Kong Time).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover/Revenue	5	**21,738,358**	28,707,571
Cost of sales		**(17,775,723)**	(22,941,904)
Gross profit		**3,962,635**	5,765,667
Other income	6	**1,054,625**	1,062,444
Distribution and selling expenses		**(1,250,468)**	(1,705,070)
Administrative expenses, excluding share-based payments		**(1,772,422)**	(1,682,285)
Share-based payments		**(59,850)**	(87,063)
Finance costs, net	8	**(23,704)**	(39,974)
Share of results of associates		**9,353**	(175)
Share of result of a joint venture		**23,136**	(9,362)
Profit before taxation		**1,943,305**	3,304,182
Taxation	7	**(494,177)**	(623,934)
Profit for the year	8	**1,449,128**	2,680,248
Attributable to:			
Equity holders of the Company		**1,430,588**	2,663,136
Non-controlling interests		**18,540**	17,112
		1,449,128	2,680,248
Earnings per share			
Basic	10	**RMB16.25 cents**	RMB31.74 cents
Diluted	10	**RMB16.25 cents**	RMB30.42 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**5,860,705**	6,208,554
Intangible assets		**4,208,230**	3,220,043
Prepaid land lease payments		**1,131,286**	1,166,070
Goodwill		**6,222**	6,222
Interests in associates		**252,082**	261,385
Interests in a joint venture		**438,547**	411,784
Available-for-sale financial assets		**28,270**	14,492
Deferred tax assets	*15*	**51,709**	59,411
		11,977,051	11,347,961
Current assets			
Prepaid land lease payments		**28,758**	30,098
Inventories		**1,619,505**	1,783,692
Trade and other receivables	*11*	**16,385,192**	14,785,486
Financial assets at fair value through profit or loss		**15,294**	13,114
Tax recoverable		**3,723**	55,739
Pledged bank deposits		**47,451**	105,471
Bank balances and cash		**7,203,176**	5,477,747
		25,303,099	22,251,347
Current liabilities			
Trade and other payables	*12*	**17,016,666**	16,074,808
Tax payable		**136,645**	196,728
Borrowings		**691,616**	965,565
		17,844,927	17,237,101
Net current assets		**7,458,172**	5,014,246
Total assets less current liabilities		**19,435,223**	16,362,207
CAPITAL AND RESERVES			
Share capital	*13*	**161,346**	161,346
Reserves		**17,126,650**	15,906,678
Equity attributable to equity holders of the Company		**17,287,996**	16,068,024
Non-controlling interests		**178,354**	161,667
Total equity		**17,466,350**	16,229,691
Non-current liabilities			
Senior Notes	*14*	**1,820,138**	–
Deferred tax liabilities	*15*	**148,735**	132,516
		1,968,873	132,516
		19,435,223	16,362,207

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Translation reserve *RMB'000*	Share option reserve *RMB'000*	Convertible bonds and warrant reserve *RMB'000*	Fair value reserve *RMB'000*	Accumulated profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2013	152,557	4,947,807	88,059	60,182	111,177	491,418	93,271	(42)	6,942,228	12,886,657	317,367	13,204,024
Profit for the year	–	–	–	–	–	–	–	–	2,663,136	2,663,136	17,112	2,680,248
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	–	–	–	–	(88,893)	–	–	–	–	(88,893)	–	(88,893)
Loss arising on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	(10)	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	–	(88,893)	–	–	(10)	2,663,136	2,574,233	17,112	2,591,345
Transactions with owners:												
Transfer of reserve	–	–	–	45,931	–	–	–	–	(45,931)	–	–	–
Shares issued under share option scheme	232	12,698	–	–	–	(2,251)	–	–	–	10,679	–	10,679
Disposal of subsidiaries (note 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 CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		**1,943,305**	3,304,182
Adjustments for:			
Depreciation and amortisation		**873,546**	1,077,995
Interest income		**(57,625)**	(59,263)
Finance costs		**81,329**	99,237
Share of results of associates		**(9,353)**	175
Impairment loss on interests in an associate		**–**	663
Share of result of a joint venture		**(23,136)**	9,362
Unrealised gain on disposal of prepaid land lease payments to a joint venture in prior year, realised in current year		**(3,627)**	–
(Gain)/Loss on disposal of property, plant and equipment		**(34,654)**	8,781
Loss on disposal and written off of intangible assets		**9,835**	180,110
Gain on disposal of prepaid land lease payments		**(3,754)**	(78,854)
Net foreign exchange loss/(gain)		**647,690**	(8,992)
Gain on disposal of subsidiaries	*16*	**–**	(7,659)
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading		**(2,180)**	(438)
Share-based payment expenses		**59,850**	87,063
Bad debts written off		**8,027**	3,626
Impairment loss on inventories		**711**	4,040
Operating profit before working capital changes		**3,489,964**	4,620,028
Inventories		**97,644**	(48,628)
Trade and other receivables		**(1,938,291)**	(1,725,716)
Trade and other payables		**880,319**	1,325,453
Cash from operations		**2,529,636**	4,171,137
Income taxes paid		**(496,675)**	(609,568)
Net cash from operating activities		**2,032,961**	3,561,569

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(841,272)**	(930,264)
Proceeds from disposal of property, plant and equipment		**91,864**	289,745
Addition of prepaid land lease payments		**(235,204)**	(191,033)
Proceeds from disposal of prepaid land lease payments		**23,375**	360,958
Addition of intangible assets		**(1,344,129)**	(900,655)
Proceeds from disposal of intangible assets		**712**	26,190
Government grants received		**424,268**	587,495
Change in pledged bank deposits		**58,020**	208,064
Net cash inflow on disposal of subsidiaries	*16*	**313,199**	173,001
Investment in an associate		**(245)**	(37,333)
Investment in a joint venture		**–**	(500,000)
Purchase of available-for-sale financial assets		**(16,120)**	(10,800)
Interest received		**57,625**	59,263
Net cash used in investing activities		**(1,467,907)**	(865,369)
Cash flows from financing activities			
Dividends paid		**(319,845)**	(263,585)
Proceeds from issuance of shares upon exercise of share options		**–**	10,679
Proceeds from issuance of Senior Notes		**1,814,165**	–
Compensation paid to convertible bonds investors		**–**	(98,051)
Proceeds from borrowings		**691,616**	847,809
Repayment of borrowings		**(965,642)**	(1,777,868)
Interest paid		**(48,039)**	(84,895)
Net cash generated from/(used in) financing activities		**1,172,255**	(1,365,911)
Increase in cash and cash equivalents		**1,737,309**	1,330,289
Cash and cash equivalents at beginning of year		**5,477,747**	4,188,862
Effect of foreign exchange rate changes		**(11,880)**	(41,404)
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		**7,203,176**	5,477,747

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Geely Automobile Holdings Limited ("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"). As at 31 December 2014, the directors of the Company (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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a joint venture.

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

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

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

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 predecessor Hong Kong Companies Ordinance (Cap. 32), for this financial year and the comparative period. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

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

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

3. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

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

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

[1] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 – Financial Instruments

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

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

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

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

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

The Directors 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 only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. No separate analysis of the reportable segment results by operating segment is necessary.

Geographical information

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

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

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

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

	2014	2013
	RMB'000	*RMB'000*
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading	**2,180**	438
Rental income *(note a)*	**19,183**	44,465
Gain on disposal of scrap materials	**33,747**	45,800
Gain on disposal of subsidiaries *(note 16)*	**–**	7,659
Net gain on disposal of property, plant and equipment *(note b)*	**34,654**	–
Net gain on disposal of prepaid land lease payments *(note b)*	**3,754**	78,854
Government grants and subsidies *(note c)*	**898,196**	800,048
Sundry income	**62,911**	85,180
	1,054,625	1,062,444

Notes:

a) Rental income net of outgoings for the year ended 31 December 2014 is RMB3,036,000 (2013: RMB24,246,000).

b) Net gains on disposal of property, plant and equipment and prepaid land lease payments included government grants received of RMB254,306,000 and RMB169,962,000 (2013: RMB223,082,000), respectively.

c) 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

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**471,895**	620,912
Other overseas tax	**–**	10,007
Under/(Over) provision in prior years	**616**	(6,299)
	472,511	624,620
Deferred taxation *(note 15)*	**21,666**	(686)
	494,177	623,934

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profits in Hong Kong for the year ended 31 December 2014 (2013: Nil).

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practises in respect thereof. The applicable tax rate is the PRC enterprise income tax rate of 25% (2013: 25%).

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

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

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

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

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

The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of RMB16,219,000 (2013: RMB17,649,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

8. PROFIT FOR THE YEAR

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

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

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

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

Notes:

a) 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.

b) Net gain (2013: loss) on disposal of property, plant and equipment included government grants received of RMB254,306,000 (2013: RMB364,413,000).

9. DIVIDENDS

A final dividend for the year ended 31 December 2013 of HK$0.046 per share amounting to approximately RMB319,845,000 were paid to the shareholders of the Company during the year.

A final dividend for the year ended 31 December 2014 of HK$0.025 per share amounting to approximately RMB173,829,000 has been proposed by the Board after the reporting date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2015 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

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

(i) Weighted average number of ordinary shares

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

(b) Diluted earnings per share

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

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

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

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

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

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

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

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

As at 31 December 2014, trade receivables of RMB2,207,414,000 (2013: RMB3,489,507,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

The Group does not charge interest on overdue balances. Included in the Group's trade receivables balance were debtors with a carrying amount of RMB1,387,730,000 (2013: RMB302,420,000) which were past due at the reporting date for which the Group has not provided for impairment loss. The Group held certain property, plant and equipment of a customer with carrying amount of approximately US$30,079,000 (equivalent to approximately RMB184,054,000) as collateral over certain overdue balances for over 90 days amounted to RMB213,447,000 as at 31 December 2014. The Group did not hold any collateral over the remaining balances. No material impairment has been made to the trade receivables balance. Receivables that were past due but not impaired were mainly due from large corporations with which the Group has long trading history and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

(b) Notes receivable

All notes receivable are denominated in RMB and are notes received from third parties for settlement of trade receivable balances. As at 31 December 2014 and 2013, all notes receivable are guaranteed by established banks in the PRC and have maturities of six months or less from the reporting date.

The Group pledged RMB421,909,000 (2013: RMB190,044,000) notes receivable to banks to secure the Group's notes payable as at 31 December 2014 and 2013 and bank borrowings as at 31 December 2014.

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

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

(d) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest-free and repayable on demand.

Except for trade and other receivables amounting to RMB25,575,000 (2013: RMB44,393,000) which is expected to be recovered after 1 year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within 1 year.

12. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

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

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

(b) Notes payable

All notes payable are denominated in RMB and are notes paid to third parties for settlement of trade payable balances. As at 31 December 2014 and 2013, all notes payable have maturities of less than 1 year from the reporting date.

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

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

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

13. SHARE CAPITAL

	Number of shares	**Nominal value**
		RMB'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 31 December 2013 and 31 December 2014	**12,000,000,000**	**246,720**
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At 1 January 2013	8,258,948,934	152,557
Shares issued under share option scheme *(note a)*	14,330,000	232
Shares issued upon conversion of convertible bonds *(note b)*	528,167,606	8,557
At 31 December 2013, 1 January 2014 and 31 December 2014	**8,801,446,540**	**161,346**

Notes:

(a) During the year ended 31 December 2013, share options were exercised to subscribe for 14,330,000 ordinary shares in the Company at a consideration of approximately RMB10,679,000 of which approximately RMB232,000 was credited to share capital and the balance of approximately RMB10,447,000 was credited to the share premium account. As a result of the exercise of share options, RMB2,251,000 has been transferred from the share option reserve to the share premium account.

(b) During the year ended 31 December 2013, convertible bonds with principal amount of RMB856,495,000 (approximately HK$972,251,000) were converted by the Investors into 528,167,606 ordinary shares of the Company at a conversion price of RMB1.622 (equivalent to HK$1.8408) per share, of which approximately RMB8,557,000 was credited to share capital and the balance of RMB762,188,000 was credited to the share premium account. As a result of the conversion of convertible bonds, RMB93,271,000 has been transferred from the convertible bonds and warrant reserve to the share premium account.

14. SENIOR NOTES

On 6 October 2014, the Company issued senior notes with an aggregate principal amount of US$300,000,000 (approximately RMB1,836,750,000) (the "Senior Notes"). The Senior Notes carry interest at 5.25% per annum, are payable semi-annually in arrears on 6 April and 6 October, and will mature on 6 October 2019, unless redeemed earlier.

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

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

Period	**Redemption Price**
2017	102.625%
2018 and thereafter	101.313%

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

The net carrying amount of the Senior Notes is stated net of issue expenses totaling US$296,311,000 (approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum.

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

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

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

15. DEFERRED TAXATION

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**73,105**	72,476
Exchange differences	**(2,536)**	1,315
Charge/(Credit) to the consolidated income statement *(note 7)*	**21,666**	(686)
Disposal of subsidiaries *(note 16)*	**4,791**	–
At 31 December	**97,026**	73,105

Deferred tax assets

	Provisions	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	18,563	36,561	55,124
Exchange differences	(3,338)	–	(3,338)
Credit/(Charge) to the consolidated income statement	21,414	(3,079)	18,335
At 31 December 2013	36,639	33,482	70,121
Exchange differences	2,137	150	2,287
Credit/(Charge) to the consolidated income statement	(23,524)	18,077	(5,447)
Disposal of subsidiaries *(note 16)*	(15,252)	–	(15,252)
At 31 December 2014	**–**	**51,709**	**51,709**

Deferred tax liabilities

	Undistributed profit of subsidiaries *RMB'000*	Accelerated tax depreciation *RMB'000*	Total *RMB'000*
At 1 January 2013	114,867	12,733	127,600
Exchange differences	–	(2,023)	(2,023)
Charge to the consolidated income statement	17,649	–	17,649
At 31 December 2013	132,516	10,710	143,226
Exchange differences	–	(249)	(249)
Charge to the consolidated income statement	16,219	–	16,219
Disposal of subsidiaries *(note 16)*	–	(10,461)	(10,461)
At 31 December 2014	**148,735**	**–**	**148,735**

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

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

Withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. The unrecognised temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB655 million (2013: RMB713 million).

At the reporting date, the Group has unused tax losses of approximately RMB1,169 million (2013: RMB159 million) available for offset against future profits. Of the total tax losses, approximately RMB360 million (2013: RMB159 million) may be carried forward for 5 years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

16. DISPOSAL OF SUBSIDIARIES

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

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

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

During the year ended 31 December 2013, the Group disposed of the entire interest in Shanghai Maple Automobile Moulds Manufacturing Company Limited ("Shanghai Maple Moulds"), a wholly owned subsidiary of Shanghai LTI Automobile Components Company Limited ("Shanghai LTI"), to an independent third party, and disposed of its 51% indirect interest in Shanghai LTI to Shanghai Maple Automobile Company Limited, a related company controlled by the substantial shareholder of the Company. The considerations for the disposals of Shanghai Maple Moulds and Shanghai LTI were RMB50,000,000 and RMB173,350,000, respectively. The disposals of Shanghai Maple Moulds and Shanghai LTI were completed in February and June 2013, respectively.

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

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

During the year ended 31 December 2013, the Group disposed of its 50% indirect interest in Qufu Kailun Automobile Parts and Components Manufacturing Company Limited ("Qufu Kailun") to an independent third party. The consideration for the disposal of Qufu Kailun was RMB10,000,000. The disposal of Qufu Kailun was completed in August 2013.

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

17. EVENTS AFTER THE REPORTING DATE

Acquisition of Zhejiang Jirun Chunxiao Automobile Components Company Limited ("Chunxiao Automobile")

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

Establishment of a joint venture with BNP Paribas Personal Finance

On 16 December 2013, the Company entered into a joint venture agreement ("JV Agreement") with BNP Paribas Personal Finance, a third party, for the establishment of a joint venture company ("JV Company") to engage in the vehicles financing business in the PRC. The JV Company with a registered capital of RMB900 million will be owned as to 80% (or RMB720 million) by the Company and as to 20% (or RMB180 million) by BNP Paribas Personal Finance.

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

Establishment of Xin Dayang Electric Vehicles Company Limited ("Xin Dayang")

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

Business Overview

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

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

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

Prospects

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

The outlooks for our major export markets are mixed. Motor vehicle markets in Russia, Ukraine and the Middle East have seen a material slowdown in 2014 due to political and social instability. Passenger vehicle demand in Russia has stabilized but frequent regulatory changes, weakening currencies and political uncertainties could continue to disrupt vehicle sales in the country. Enactment of tax changes in Brazil, Ukraine and Russia would also augment uncertainty for export sales to these markets. As a result, our exports business could continue to face challenges in 2015.

On the positive front, our Group's overall competitiveness and management capabilities have strengthened significantly over the past few years following the success of our strategic transformation to improve brand image, product and service quality, technology and innovation. In addition, our Group's financial position has improved significantly, thanks to good operational cash flow and the issuance of US$300 million 5.25% five-year senior notes in October 2014. This should allow our Group to continue investing for the future in response to the market reaction more flexibly, further enhancing our core strength in powertrain technologies, product quality, customer satisfaction and supply chains. This, together with an improved distribution capabilities, should have put us in a much stronger position to meet any challenges.

2015 should continue to see investments by our Group in the area of new energy vehicles and the application of internet, computer and mobile communication technologies in our products and services in view of a series of supporting policy measures from the government. According to China Association of Automobile Manufacturers, sales of electric vehicles in China increased by more than threefold in 2014. Our Group's strategy is to leverage on the strength, resources and expertise of leading industry players to speed up our electric vehicles product offering.

In 2015, our Group plans to offer more automatic transmission options to our customers and will continue to offer more fuel-efficient solutions such as turbo-charged engines in some of our models, thus enhancing the attractiveness of our products. With the substantial investment in new technologies like turbo-charged engines over the past few years, our powertrain system has become far more fuel-efficient and environmentally friendly. We will continue to replace our old models with more sophisticated new models with more advanced powertrain technologies and designs. Our Group's new powertrain technologies and new products should continue to support our overall sales volume growth in 2015. Further, the shift of preference on vehicle procurement by the Chinese Government towards more indigenous brand products should provide additional opportunities for our Group to further expand the sales.

Our Board of Directors set our sales volume target in 2015 at 450,000 units, up around 8% from 2014.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market. As at 31 December 2014, the Group's shareholders' funds amounted to approximately RMB17.3 billion (as at 31 December 2013: approximately RMB16.1 billion). The Company did not issue any ordinary shares during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's current ratio (current assets/current liabilities) was about 1.42 (as at 31 December 2013: 1.29) and the gearing ratio of the Group was about 14.5% (as at 31 December 2013: 6.0%) which was calculated on the Group's total borrowings (including Senior Notes but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). As at 31 December 2014, the increase in receivables (in particular, the notes receivable) was (a) mainly due to steady recovery of the Group's domestic sales particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivable from its customers during that period; and (b) thanks to the relatively low interest environment and strong total cash level, the Group did not opt to discount these notes receivable without recourse but wait to hold them until maturity during most of the times in 2014. In addition, in order to secure an adequate supply of automobile parts and components (in particular, steel, out-sourced engines and other high-end electronic parts and components) from the Group's supply chains during the peak season in the fourth quarter of 2014, the Group had to prepay these inventories to its suppliers towards the end of 2014. Separately, the increasing demand for the Group's new products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2014, the receipts in advance from customers represented almost 12% (as at 31 December 2013: 9%) of the total current liabilities. Accordingly, the net effect of the above resulted in an increase in current ratio at the end of year 2014 over the previous year.

Total borrowings (including Senior Notes but excluding trade and other payables) as at 31 December 2014 amounted to approximately RMB2.5 billion (as at 31 December 2013: approximately RMB1.0 billion) were mainly the Group's borrowings and Senior Notes. At the end of 2014, the majority of the Group's total borrowings were denominated in RMB and US$. They were well matched by the currencies of the Group's cash and bank balances and currency mix of the Group's revenues, which were mainly denominated in RMB and US$, respectively. For the borrowings, except for the 5-year US$300 million 5.25% senior notes due 2019 ("Senior Notes") issued during the year, they were mostly secured, interest-bearing and repaid on maturity. The increase in gearing ratio during the year was mainly due to a combination of (a) the issue of Senior Notes in October 2014; and (b) the increase in equity as a result of profit attained by the Group during the year of 2014. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2014, the total number of employees of the Group was about 18,481 (as at 31 December 2013: 18,138). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in 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 2014.

PROPOSED FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of HK$0.025 per ordinary share for the year ended 31 December 2014. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 29 May 2015 at 4:00 p.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2015 to shareholders whose names shall appear on the register of members of the Company on 12 June 2015.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2015 to 29 May 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 29 May 2015, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 26 May 2015.

The register of members of the Company will be closed from 10 June 2015 to 12 June 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 9 June 2015.

CORPORATE GOVERNANCE

For the year ended 31 December 2014, the Company has complied with the code provisions ("CPs") of the Corporate Governance Code and Corporate Governance Report ("CG Code"), as set out in Appendix 14 to the Listing Rules, except for CPs A.2.7, A.6.7 and E.1.2.

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

CP E.1.2 provides that the chairman of the board of directors of the listed issuer and the chairman of its respective board committees should attend the annual general meeting of the listed issuer and CP A.6.7 stipulates that the independent non-executive directors and the non-executive directors should attend the general meetings of the listed issuer. 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 general meeting and should report to him on any enquiries shareholders might have, to attend the general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. In addition, the external auditors will attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies and auditors' independence.

The Company held an extraordinary general meeting on 27 January 2014. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting. Mr. Gui Sheng Yue, Mr. Ang Siu Lun, Lawrence, Mr. Li Dong Hui, Daniel (resigned on 28 March 2014), who are the executive Directors, Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director and the chairman of the Audit Committee, Grant Thornton Hong Kong Limited, the Company's external auditors, and China Securities (International) Corporate Finance Company Limited, the Company's financial adviser, 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, Mr. Carl Peter Edmund Moriz Forster, a non-executive director, and another executive Director attended the general meeting via conference call.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 29 May 2015 at 4:00 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 2014 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 2014 annual report will set out all information disclosed in the annual results announcement for 2014 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 2015.

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

Hong Kong, 18 March 2015

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. Liu Jin Liang and Ms. Wei Mei, the non-executive directors of the Company are Mr. Carl Peter Edmund Moriz Forster and Mr. Ran Zhang and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang.