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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

FINANCIAL HIGHLIGHTS:

	Year ended 31 December		Change %
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	
Revenue	30,138,256	21,738,358	39
Other income	1,066,007	1,054,625	1
Share-based payments	(61,875)	(59,850)	3
Profit for the year	2,288,662	1,449,128	58
Profit attributable to equity holders of the Company	2,260,529	1,430,588	58
Earnings per share			
Basic (RMB cents)	25.68	16.25	58
Diluted (RMB cents)	25.66	16.25	58
Proposed final dividend (per ordinary share) (HK\$)	0.038	0.025	52

The Board decides to recommend payment of a final dividend of HK\$0.038 per ordinary share (2014: HK\$0.025 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, 27 May 2016 at 4:00 p.m. (Hong Kong Time).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue	5	30,138,256	21,738,358
Cost of sales		<u>(24,667,603)</u>	<u>(17,775,723)</u>
Gross profit		5,470,653	3,962,635
Other income	6	1,066,007	1,054,625
Distribution and selling expenses		(1,567,935)	(1,250,468)
Administrative expenses, excluding share-based payments		(2,175,600)	(1,772,422)
Share-based payments		(61,875)	(59,850)
Finance costs, net	8(a)	(6,440)	(23,704)
Share of profits of associates		41,503	9,353
Share of profits of joint ventures	18	<u>108,492</u>	<u>23,136</u>
Profit before taxation	8	2,874,805	1,943,305
Taxation	7	<u>(586,143)</u>	<u>(494,177)</u>
Profit for the year		<u>2,288,662</u>	<u>1,449,128</u>
Attributable to:			
Equity holders of the Company		2,260,529	1,430,588
Non-controlling interests		<u>28,133</u>	<u>18,540</u>
		<u>2,288,662</u>	<u>1,449,128</u>
Earnings per share			
Basic	10	<u>RMB25.68 cents</u>	<u>RMB16.25 cents</u>
Diluted	10	<u>RMB25.66 cents</u>	<u>RMB16.25 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year	2,288,662	1,449,128
Other comprehensive income (after tax of nil) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations recognised	90,804	(12,075)
Share of other comprehensive loss of an associate	<u>—</u>	<u>(18,901)</u>
	<u>90,804</u>	<u>(30,976)</u>
Total comprehensive income for the year	<u>2,379,466</u>	<u>1,418,152</u>
Attributable to:		
Equity holders of the Company	2,350,333	1,399,868
Non-controlling interests	<u>29,133</u>	<u>18,284</u>
	<u>2,379,466</u>	<u>1,418,152</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		8,034,427	5,860,705
Intangible assets		5,260,241	4,208,230
Land lease prepayments		1,537,713	1,131,286
Goodwill		2,584	6,222
Interests in associates		284,774	252,082
Interests in joint ventures	18	1,709,081	438,547
Available-for-sale financial assets		21,650	28,270
Deferred tax assets	15	94,138	51,709
		<u>16,944,608</u>	<u>11,977,051</u>
Current assets			
Land lease prepayments		37,001	28,758
Inventories		1,226,169	1,619,505
Trade and other receivables	11	14,836,439	16,385,192
Financial assets at fair value through profit or loss		17,118	15,294
Income tax recoverable		23,666	3,723
Pledged bank deposits		40,533	47,451
Bank balances and cash		9,166,926	7,203,176
		<u>25,347,852</u>	<u>25,303,099</u>
Current liabilities			
Trade and other payables	12	20,114,371	17,016,666
Income tax payable		334,883	136,645
Bank borrowings		–	691,616
		<u>20,449,254</u>	<u>17,844,927</u>
Net current assets		<u>4,898,598</u>	<u>7,458,172</u>
Total assets less current liabilities		<u>21,843,206</u>	<u>19,435,223</u>
CAPITAL AND RESERVES			
Share capital	13	161,354	161,346
Reserves		19,362,462	17,126,650
Equity attributable to equity holders of the Company		19,523,816	17,287,996
Non-controlling interests		215,707	178,354
Total equity		<u>19,739,523</u>	<u>17,466,350</u>
Non-current liabilities			
Senior notes	14	1,928,856	1,820,138
Deferred tax liabilities	15	174,827	148,735
		<u>2,103,683</u>	<u>1,968,873</u>
		<u>21,843,206</u>	<u>19,435,223</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company										Total	
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Share option reserve	Fair value reserve	Accumulated profits	Sub-total	Non-controlling interests		
	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 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 loss 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	
Equity settled share-based payments	-	-	-	-	-	59,850	-	-	59,850	-	59,850	
Transfer upon forfeiture of share options	-	-	-	-	-	(34,480)	-	34,480	-	-	-	
Dividends paid to equity holders of the Company (note 9)	-	-	-	-	-	-	-	(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	<u>161,346</u>	<u>5,815,964</u>	<u>164,790</u>	<u>106,113</u>	<u>(5,120)</u>	<u>549,723</u>	<u>-</u>	<u>10,495,180</u>	<u>17,287,996</u>	<u>178,354</u>	<u>17,466,350</u>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

	Attributable to equity holders of the Company									Total RMB'000
	Share capital RMB'000 <i>(note 13)</i>	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2015	<u>161,346</u>	<u>5,815,964</u>	<u>164,790</u>	<u>106,113</u>	<u>(5,120)</u>	<u>549,723</u>	<u>10,495,180</u>	<u>17,287,996</u>	<u>178,354</u>	<u>17,466,350</u>
Profit for the year	-	-	-	-	-	-	2,260,529	2,260,529	28,133	2,288,662
Other comprehensive income:										
Exchange differences on translation of foreign operations recognised	-	-	-	-	89,804	-	-	89,804	1,000	90,804
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,804</u>	<u>-</u>	<u>2,260,529</u>	<u>2,350,333</u>	<u>29,133</u>	<u>2,379,466</u>
Transactions with owners:										
Transfer of reserves	-	-	-	12,880	-	-	(17,174)	(4,294)	-	(4,294)
Share issued under share option scheme	8	2,502	-	-	-	(775)	-	1,735	-	1,735
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	8,931	8,931
Disposal of a subsidiary <i>(note 16)</i>	-	-	-	-	-	-	-	-	309	309
Equity settled share-based payments	-	-	-	-	-	61,875	-	61,875	-	61,875
Transfer upon forfeiture of share options	-	-	-	-	-	(37,861)	37,861	-	-	-
Dividends paid to equity holders of the Company <i>(note 9)</i>	-	-	-	-	-	-	(173,829)	(173,829)	-	(173,829)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,020)	(1,020)
Total transactions with owners	<u>8</u>	<u>2,502</u>	<u>-</u>	<u>12,880</u>	<u>-</u>	<u>23,239</u>	<u>(153,142)</u>	<u>(114,513)</u>	<u>8,220</u>	<u>(106,293)</u>
Balance at 31 December 2015	<u>161,354</u>	<u>5,818,466</u>	<u>164,790</u>	<u>118,993</u>	<u>84,684</u>	<u>572,962</u>	<u>12,602,567</u>	<u>19,523,816</u>	<u>215,707</u>	<u>19,739,523</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<i>Note</i>	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before taxation		2,874,805	1,943,305
Adjustments for:			
Depreciation and amortisation		1,142,678	873,546
Interest income	8(a)	(96,909)	(57,625)
Finance costs	8(a)	103,349	81,329
Share of profits of associates		(41,503)	(9,353)
Share of profits of joint ventures		(108,492)	(23,136)
Gain on deemed disposal of partial interest in a joint venture	6	(4,921)	–
Unrealised gain on disposal of land lease prepayments to joint ventures in prior year, realised in current year		–	(3,627)
Net gain on disposal of property, plant and equipment	8(c)	(4,092)	(34,654)
Loss on disposal of intangible assets	8(c)	22,567	9,835
Net gain on disposal of land lease prepayments		–	(3,754)
Net foreign exchange loss		456,741	647,690
Gain on disposal of a subsidiary	16	(62,879)	–
Unrealised gain on financial assets at fair value through profit or loss	6	(1,824)	(2,180)
Negative goodwill arising from acquisition of a subsidiary	17	(139)	–
Equity settled share-based payments		61,875	59,850
Bad debts written off		–	8,027
Write-down of inventories	8(c)	20,920	711
Operating profit before working capital changes		4,362,176	3,489,964
Inventories		515,161	97,644
Trade and other receivables		1,930,510	(1,938,291)
Trade and other payables		1,023,997	880,319
Cash generated from operations		7,831,844	2,529,636
Income taxes paid		(423,018)	(496,675)
<i>Net cash generated from operating activities</i>		7,408,826	2,032,961

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

	<i>Note</i>	2015 RMB'000	2014 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,570,519)	(841,272)
Proceeds from disposal of property, plant and equipment		233,012	91,864
Proceeds from disposal of available-for-sale financial assets		16,120	–
Addition of land lease prepayments		(32,032)	(235,204)
Proceeds from disposal of land lease prepayments		4,506	23,375
Addition of intangible assets		(2,106,126)	(1,344,129)
Proceeds from disposal of intangible assets		445,627	712
Government grants received		237,677	424,268
Change in pledged bank deposits		6,918	58,020
Net cash outflow on acquisition of subsidiaries	<i>17</i>	(1,133,929)	–
Net cash (outflow)/inflow on disposal of subsidiaries	<i>16</i>	(3,047)	313,199
Investments in associates		–	(245)
Investment in a joint venture		(720,000)	–
Acquisition of available-for-sale financial assets		(9,500)	(16,120)
Interest received		96,909	57,625
		<hr/> (4,534,384)	<hr/> (1,467,907)
<i>Net cash used in investing activities</i>			
Cash flows from financing activities			
Dividends paid	<i>9(b)</i>	(173,829)	(319,845)
Dividend paid to non-controlling interests		(1,020)	–
Proceeds from issuance of shares upon exercise of share options	<i>13</i>	1,735	–
Proceeds from issuance of senior notes	<i>14</i>	–	1,814,165
Capital contribution from non-controlling interests		8,931	–
Proceeds from borrowings		–	691,616
Repayments of borrowings		(691,616)	(965,642)
Interest paid		(74,996)	(48,039)
		<hr/> (930,795)	<hr/> 1,172,255
<i>Net cash (used in)/generated from financing activities</i>			
Net increase in cash and cash equivalents		1,943,647	1,737,309
Cash and cash equivalents at the beginning of the year		7,203,176	5,477,747
Effect of foreign exchange rate changes		20,103	(11,880)
		<hr/> 9,166,926	<hr/> 7,203,176
Cash and cash equivalents at the end of the year, represented by bank balances and cash			

NOTES

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Geely Automobile Holdings Limited (“the Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”). As at 31 December 2015, 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 (the “PRC”) and Mr. Li Shu Fu is the ultimate controlling party of the Company.

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in associates and joint ventures.

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 values.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards (“HKFRSs”) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), which is also the functional currency of the Company.

The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the Board of Directors on 22 March 2016.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with 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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The amendments to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) relating to financial information with reference to the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) which came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information on these consolidated financial statements. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2015

In the current year, the HKICPA has issued the following amendments to HKFRSs (the “new HKFRSs”) which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

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.

Issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs relevant to the Group’s operations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Except for the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” of which directors are assessing the impact on the results and financial position of the Group, the directors anticipate that the adoption of the other new and revised HKFRSs is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components. The directors consider that the Group operates in a single business segment. 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 joint ventures, goodwill and land lease prepayments (“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 assets, in the case of property, plant and equipment and land lease prepayments, the location of the operations 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 joint ventures.

	2015	2014
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from external customers		
PRC	28,301,651	17,646,482
Europe	571,751	1,936,504
Middle East	252,448	575,920
South Korea	-	306,870
Africa	537,520	655,467
Central and South America	185,181	269,162
Other countries	289,705	347,953
	<u>30,138,256</u>	<u>21,738,358</u>
Specified non-current assets		
Hong Kong, place of domicile	892	135
PRC	16,750,055	11,818,015
Other countries	77,873	78,922
	<u>16,828,820</u>	<u>11,897,072</u>

5. REVENUE

Revenue represents the consideration received and receivable from sales, net of discounts, returns and value added tax (“VAT”) or 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

	2015 <i>RMB’000</i>	2014 <i>RMB’000</i>
Unrealised gain on financial assets at fair value through profit or loss	1,824	2,180
Rental income (<i>note a</i>)	20,512	19,183
Gain on disposal of scrap materials	52,745	33,747
Gain on disposal of a subsidiary (<i>note 16</i>)	62,879	–
Gain on deemed disposal of partial interest in a joint venture	4,921	–
Net gain on disposal of property, plant and equipment (<i>note b</i>)	4,092	34,654
Net gain on disposal of land lease prepayments (<i>note c</i>)	–	3,754
Negative goodwill arising from acquisition of a subsidiary	139	–
Government grants and subsidies (<i>note d</i>)	847,290	898,196
Sundry income	71,605	62,911
	<u>1,066,007</u>	<u>1,054,625</u>

Notes:

- (a) Rental income net of outgoings for the year ended 31 December 2015 is RMB6,999,000 (2014: RMB3,036,000).
- (b) Net gain on disposal of property, plant and equipment included government grants received of RMB116,281,000 (2014: RMB254,306,000).
- (c) Net gain on disposal of land lease prepayments included government grants received of RMBNil (2014: RMB169,962,000).
- (d) Government grants and subsidies mainly relates to cash subsidies in respect of operating and research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

7. TAXATION

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax:		
PRC enterprise income tax	592,848	471,895
Under-provision in prior years	<u>9,782</u>	<u>616</u>
	602,630	472,511
Deferred tax (<i>note 15</i>)	<u>(16,487)</u>	<u>21,666</u>
	<u>586,143</u>	<u>494,177</u>

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2015 and 2014.

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 PRC enterprise income tax rate is 25% (2014: 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were entitled to an exemption from the 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 qualified as High and New Technology Enterprises and entitled to a 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:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>2,874,805</u>	<u>1,943,305</u>
Tax at the PRC enterprise income tax rate of 25% (2014: 25%)	718,701	485,826
Tax effect of expenses not deductible in determining taxable profit	11,973	59,450
Tax effect of non-taxable income	(7,443)	(17,084)
Tax effect of unrecognised tax losses	165,368	187,378
Utilisation of previously unrecognised tax losses	(18,439)	(15,227)
Tax effect of different tax rates of entities operating in other jurisdictions	56,363	54,543
Deferred tax charge on distributable profits withholding tax (note 15)	26,092	16,219
Effect of tax exemption granted to the PRC subsidiaries	(376,254)	(277,544)
Under-provision in prior years	<u>9,782</u>	<u>616</u>
Tax expense for the year	<u>586,143</u>	<u>494,177</u>

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 liabilities of RMB26,092,000 (2014: RMB16,219,000) 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 BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000
(a) Finance income and costs		
Finance costs		
Effective interest expense on senior notes (<i>note 14</i>)	4,232	1,235
Coupon expense on senior notes	99,063	22,761
Interest on bank borrowings wholly repayable within five years	54	57,333
	<u>103,349</u>	<u>81,329</u>
Finance income		
Bank and other interest income	<u>(96,909)</u>	<u>(57,625)</u>
Net finance costs	<u>6,440</u>	<u>23,704</u>
(b) Staff costs (including directors' emoluments) (<i>note a</i>)		
Salaries, wages and other benefits	1,694,240	1,307,403
Retirement benefit scheme contributions	127,954	114,299
Equity settled share-based payments	61,875	59,850
	<u>1,884,069</u>	<u>1,481,552</u>
(c) Other items		
Cost of inventories (<i>note a</i>)	24,667,603	17,775,723
Auditors' remuneration	6,559	5,711
Depreciation (<i>note a</i>)	589,078	554,186
Amortisation of land lease prepayments (<i>note a</i>)	37,589	28,302
Amortisation of intangible assets (<i>note a</i>)	516,011	291,058
Net gain on disposal of property, plant and equipment (<i>note 6b</i>)	(4,092)	(34,654)
Loss on disposal of intangible assets (<i>note b</i>)	22,567	9,835
Net foreign exchange loss	472,092	654,143
Net claims paid on defective materials purchased	78,930	23,555
Operating leases charges on premises (<i>note a</i>)	18,892	29,067
Research and development costs	258,769	211,553
Bad debts written off	-	8,027
Write-down of inventories	20,920	711

Notes:

- (a) Cost of inventories included RMB528,092,000 (2014: RMB320,509,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately for each of these types of expenses.
- (b) Loss on disposal of intangible assets included government grants received of RMB121,396,000 (2014: RMBNil).

9. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Final dividend proposed after the reporting date of HK\$0.038 per ordinary share (2014: HK\$0.025 per ordinary share)	<u>280,959</u>	<u>173,829</u>

The final dividend proposed after the reporting date has not been recognised as a liability at 31 December 2015.

(b) Dividends payable to equity holder of the Company attributable to the previous financial year, approved and paid during the year:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approval and paid during the year of HK\$0.025 per ordinary share (2014: HK\$0.046 per ordinary share)	<u>173,829</u>	<u>319,845</u>

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB2,260,529,000 (2014: RMB1,430,588,000) and weighted average number of ordinary shares of 8,801,663,773 shares (2014: 8,801,446,540 shares), calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	8,801,446,540	8,801,446,540
Effect of shares options exercised	<u>217,233</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u>8,801,663,773</u>	<u>8,801,446,540</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB2,260,529,000 (2014: RMB1,430,588,000) and the weighted average number of ordinary shares (diluted) of 8,809,512,286 shares (2014: 8,801,446,540 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
Weighted average number of ordinary shares at 31 December	8,801,663,773	8,801,446,540
Effect of deemed issue of shares under the Company's share option scheme	<u>7,848,513</u>	<u>—</u>
Weighted average number of ordinary shares (diluted) at 31 December 2015	<u>8,809,512,286</u>	<u>8,801,446,540</u>

For the year ended 31 December 2014, diluted earnings per share equalled to basic earnings per share because the potential ordinary shares outstanding were anti-dilutive.

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade and notes receivables			
Trade receivables			
– Third parties		890,920	1,822,383
– A joint venture		53,256	29,126
– Associates		111,757	424,208
– Related companies controlled by the substantial shareholder of the Company		537,203	1,319,427
		<u>537,203</u>	<u>1,319,427</u>
	<i>(a)</i>	1,593,136	3,595,144
Notes receivables	<i>(b)</i>	10,203,692	9,221,000
		<u>10,203,692</u>	<u>9,221,000</u>
		11,796,828	12,816,144
		<u>11,796,828</u>	<u>12,816,144</u>
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		82,609	47,977
– Related companies controlled by the substantial shareholder of the Company		750,645	904,396
		<u>750,645</u>	<u>904,396</u>
		833,254	952,373
Deposits paid for acquisition of property, plant and equipment		558,920	430,498
VAT and other taxes receivables		1,187,706	1,435,122
Utility deposits and other receivables		370,875	228,180
		<u>370,875</u>	<u>228,180</u>
		2,950,755	3,046,173
		<u>2,950,755</u>	<u>3,046,173</u>
Amounts due from related parties controlled by the substantial shareholder of the Company	<i>(c)</i>	62,605	502,180
Amount due from ultimate holding company	<i>(c)</i>	27	61
Amount due from a joint venture	<i>(d)</i>	26,224	20,634
		<u>26,224</u>	<u>20,634</u>
		3,039,611	3,569,048
		<u>3,039,611</u>	<u>3,569,048</u>
		14,836,439	16,385,192
		<u>14,836,439</u>	<u>16,385,192</u>

(a) **Trade receivables**

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 – 60 days	275,711	901,467
61 – 90 days	95,013	80,922
Over 90 days	745,188	525,465
	<u>1,115,912</u>	<u>1,507,854</u>

For overseas customers, the Group allows credit period ranged from 180 days to 450 days. The following is an ageing analysis of the trade receivables of overseas customers, based on invoice date, at the reporting date:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 – 60 days	178,886	502,991
61 – 90 days	17,208	30,042
91 – 365 days	125,509	1,383,770
Over 365 days	155,621	170,487
	<u>477,224</u>	<u>2,087,290</u>

As at 31 December 2015, 24% (2014: 34%) of the total trade receivables was due from the Group's five largest customers.

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but neither individually nor collectively considered to be impaired is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
1 – 30 days past due	31,621	280,817
31 – 60 days past due	95,737	126,692
61 – 90 days past due	25,484	92,340
Over 90 days past due	785,053	887,881
	<u>937,895</u>	<u>1,387,730</u>

As at 31 December 2015, trade receivables of RMB655,241,000 (2014: RMB2,207,414,000) 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 were debtors with a carrying amount of RMB937,895,000 (2014: RMB1,387,730,000) 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 an overseas customer with carrying amount of approximately USD52,737,000 (equivalent to approximately RMB342,263,000) as collateral over certain overdue balances for over 90 days amounted to RMB199,277,000 as at 31 December 2015 (2014: RMB213,447,000). The Group did not hold any collateral over the remaining balances. No impairment has been made to the trade receivables. Receivables that were past due but not impaired were mainly related to large corporations that have long trading history with the Group and therefore these debtors are considered to have good credit quality and the balances are still considered to be fully recoverable.

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2015 and 2014, all notes receivables are guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

The Group pledged notes receivables of RMB23,365,000 to banks to secure the Group's notes payables (note 12b) as at 31 December 2015.

The Group pledged notes receivables of RMB421,909,000 to banks to secure the Group's notes payables (note 12b) 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 of RMB116,789,000 (2014: RMB25,575,000) which is expected to be recovered after one year from the reporting date, all other trade and other receivables are expected to be recovered or recognised as an expense within one year.

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade and notes payables			
Trade payables			
– Third parties		9,001,560	7,757,246
– Associates		737,199	596,489
– Related parties controlled by the substantial shareholder of the Company		<u>1,394,491</u>	<u>2,400,232</u>
	<i>(a)</i>	11,133,250	10,753,967
Notes payables	<i>(b)</i>	<u>71,655</u>	<u>364,916</u>
		<u>11,204,905</u>	<u>11,118,883</u>
Other payables			
Receipts in advance from customers			
– Third parties		2,064,772	1,983,648
– Related parties controlled by the substantial shareholder of the Company		<u>234,574</u>	<u>75,387</u>
		2,299,346	2,059,035
Deferred government grants which conditions have not been satisfied		2,737,519	1,164,773
Payables for acquisition of property, plant and equipment		211,267	293,103
Accrued staff salaries and benefits		419,020	272,784
VAT and other taxes payables		171,957	207,207
Other accrued charges		<u>1,534,742</u>	<u>1,153,947</u>
		7,373,851	5,150,849
Amounts due to related parties controlled by the substantial shareholder of the Company	<i>(c)</i>	1,535,585	476,934
Amount due to ultimate holding company	<i>(c)</i>	<u>30</u>	<u>270,000</u>
		<u>8,909,466</u>	<u>5,897,783</u>
		<u>20,114,371</u>	<u>17,016,666</u>

(a) Trade payables

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

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	8,746,578	8,644,894
61 – 90 days	1,090,495	723,267
Over 90 days	<u>1,296,177</u>	<u>1,385,806</u>
	<u><u>11,133,250</u></u>	<u><u>10,753,967</u></u>

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

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2015 and 2014, all notes payables have maturities of less than one year from the reporting date.

As at 31 December 2015, the Group pledged notes receivables and pledged bank deposits of RMB23,365,000 (2014: RMB421,909,000) and RMB40,533,000 (2014: RMB47,451,000) respectively to secure the notes payables.

(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 of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

13. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2014 and 2015	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2014, 31 December 2014 and 1 January 2015	8,801,446,540	161,346
Shares issued under share option scheme (<i>note a</i>)	<u>540,000</u>	<u>8</u>
At 31 December	<u>8,801,986,540</u>	<u>161,354</u>

Note:

- (a) During the year ended 31 December 2015, share options were exercised to subscribe for 540,000 ordinary shares of the Company at a consideration of approximately RMB1,735,000 of which approximately RMB8,000 was credited to share capital and approximately RMB1,727,000 was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB775,000 has been transferred to the share premium account.

14. SENIOR NOTES

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

The Senior Notes are listed on the SEHK. They are unsecured, senior obligations of the Company and guaranteed by certain of the Company's subsidiaries operating in 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 they are 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%

The carrying amount of the Senior Notes at initial recognition net of transaction costs amounted to USD296,311,000 (equivalent to approximately RMB1,814,165,000) and the effective interest rate is 5.54% per annum. The Senior Notes are carried at amortised cost and are not expected to be settled within one year.

The movement of the Senior Notes during the year are set out below:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Carrying amount		
At 1 January	1,820,138	-
Initial fair value on the date of issuance on 6 October 2014	-	1,814,165
Exchange differences	104,486	4,738
Interest expenses	4,232	1,235
	<hr/>	<hr/>
At 31 December	<u>1,928,856</u>	<u>1,820,138</u>

The Senior Notes are subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in senior notes. If the Group was to breach the covenants, the principal, and, accrued and unpaid interest of the Senior Notes would become payable on demand. The directors consider that none of the covenants had been breached as at 31 December 2015 and 2014.

15. DEFERRED TAX ASSETS AND LIABILITIES

The following is the deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements thereon during the year:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	97,026	73,105
Exchange differences	150	(2,536)
(Credit)/Charge to the consolidated income statement (<i>note 7</i>)	(16,487)	21,666
De-recognition through disposal of subsidiaries (<i>note 16</i>)	-	4,791
	<hr/>	<hr/>
At 31 December	<u>80,689</u>	<u>97,026</u>

Deferred tax assets

	Provisions	Tax losses	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	36,639	–	–	33,482	70,121
Exchange differences	2,137	–	–	150	2,287
Credit to the consolidated income statement	(23,524)	–	18,114	(37)	(5,447)
De-recognition through disposal of subsidiaries (note 16)	<u>(15,252)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(15,252)</u>
At 31 December 2014	–	–	18,114	33,595	51,709
At 1 January 2015	–	–	18,114	33,595	51,709
Exchange differences	–	–	–	(150)	(150)
Credit to the consolidated income statement	<u>–</u>	<u>28,144</u>	<u>13,547</u>	<u>888</u>	<u>42,579</u>
At 31 December 2015	<u>–</u>	<u>28,144</u>	<u>31,661</u>	<u>34,333</u>	<u>94,138</u>

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	132,516	10,710	143,226
Exchange differences	–	(249)	(249)
Charge to the consolidated income statement (note 7)	16,219	–	16,219
De-recognition through disposal of subsidiaries (note 16)	<u>–</u>	<u>(10,461)</u>	<u>(10,461)</u>
At 31 December 2014	148,735	–	148,735
At 1 January 2015	148,735	–	148,735
Charge to the consolidated income statement (note 7)	<u>26,092</u>	<u>–</u>	<u>26,092</u>
At 31 December 2015	<u>174,827</u>	<u>–</u>	<u>174,827</u>

Deferred tax liabilities

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 entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

	2015 <i>RMB'000</i>	2014 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	(94,138)	(51,709)
Deferred tax liabilities recognised in the consolidated statement of financial position	<u>174,827</u>	<u>148,735</u>
Net deferred tax liabilities	<u>80,689</u>	<u>97,026</u>

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities 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. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB8,577,099,000 (2014: RMB7,519,779,000).

At the reporting date, the Group has unused tax losses of approximately RMB1,983,847,000 (2014: RMB1,169,000,000) available for offset against future profits. Of the total tax losses, approximately RMB352,000,000 (2014: RMB360,000,000) 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

On 8 January 2015, the Company entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou Electric Vehicles Company Limited 寧海知豆電動汽車有限公司# (“Ninghai Zhidou”). The Group has contributed its entire shareholding in Lanzhou Zhidou Electric Vehicles Company Limited (formerly known as “Lanzhou Geely Automobile Industrial Company Limited”) (“Lanzhou Zhidou”), its indirectly owned subsidiary with 99% equity interest, to Ninghai Zhidou, in exchange of 50% shareholding in Ninghai Zhidou. Upon the completion of the above-mentioned transaction, Lanzhou Zhidou ceased to be a subsidiary of the Company. The disposal of Lanzhou Zhidou was completed in April 2015. The consideration of the disposal of a subsidiary was RMB500,000,000.

The English translation of the name of the Company is for reference only. The official name of the Company is in Chinese.

The net assets disposed of at the disposal date are set out as follows:

	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	298,413
Intangible assets	69,910
Land lease prepayments	12,198
Goodwill	6,222
Inventories	460
Trade and other receivables	62,173
Bank balances and cash	3,047
Trade and other payables	(77,127)
Income tax payable	(1,363)
	<u>373,933</u>
Net gain on disposal of a subsidiary:	
Fair value of equity interest of Ninghai Zhidou acquired	500,000
Net assets disposed of	(373,933)
Non-controlling interests	(309)
Unrealised gain on disposal of a subsidiary to a joint venture	(62,879)
	<u>62,879</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(3,047)</u>

During the year ended 31 December 2014, 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
Land lease prepayments	39,424
Deferred tax assets (<i>note 15</i>)	15,252
Inventories	65,832
Trade and other receivables	150,056
Bank balances and cash	165,254
Trade and other payables	(344,588)
Income tax recoverable	16,097
Deferred tax liabilities (<i>note 15</i>)	(10,461)
Shareholder's loan	(181,422)
Fair value reserve	52
Translation reserve	3,316
	<u>403,319</u>

Net gain on disposal of subsidiaries (*note*):

Cash consideration received	659,875
Assignment of loan amounts due from DSI by the Group	(181,422)
Net assets disposed of	(403,319)
Non-controlling interests	1,597
	<u>76,731</u>

Aggregated net cash inflow arising on disposal:

Cash consideration received	659,875
Assignment of loan amounts due from DSI by the Group	(181,422)
Bank balances and cash disposed of	(165,254)
	<u>313,199</u>

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

17. BUSINESS COMBINATIONS

Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司 (“Chunxiao Automobile”)

On 6 February 2015, the Group entered into an equity transfer agreement with Zhejiang Geely Automobile Company Limited, a related party, to acquire the entire equity interest of Chunxiao Automobile at a cash consideration of RMB1,137,841,000. Chunxiao Automobile is engaged in provision of research, development, production and marketing services and sales of sedans and related automobile components in the PRC. The acquisition of Chunxiao Automobile was completed in May 2015. Details of the acquisition have been set out in the Company’s circular dated 16 March 2015.

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB’000	Fair value adjustments RMB’000	Recognised values on acquisition RMB’000
The net assets acquired:			
Property, plant and equipment	1,508,483	(950)	1,507,533
Land lease prepayments	389,902	47,029	436,931
Trade and other receivables	293,378	–	293,378
Inventories	143,205	–	143,205
Bank balances and cash	3,946	–	3,946
Trade and other payables	<u>(1,249,736)</u>	<u>–</u>	<u>(1,249,736)</u>
	<u>1,089,178</u>	<u>46,079</u>	<u>1,135,257</u>
Goodwill arising on acquisition:			
Cash consideration transferred			1,137,841
Fair value of identifiable net assets acquired			<u>(1,135,257)</u>
			<u>2,584</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(1,137,841)
Bank balances and cash acquired			<u>3,946</u>
			<u>(1,133,895)</u>

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from the acquisition is not expected to be deductible for tax purpose. No acquisition-related costs had been incurred in relation to the acquisition.

Chunxiao Automobile has contributed a total revenue and a net profit of RMBNil and RMB82,512,000 respectively from the acquisition date to 31 December 2015.

If the acquisition had occurred on 1 January 2015, the consolidated revenue and consolidated profit for the year ended 31 December 2015 would be RMB30,138,256,000 and RMB2,318,577,000 respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2015 and could not serve as a basis for the forecast of future operation results.

Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽车销售有限公司 (“Shanxi New Energy”)

On 10 June 2015, the Group entered into an equity transfer agreement with Shanxi New Energy Automobile Industrial Company Limited, a related party, to acquire the entire equity interest of Shanxi New Energy at a cash consideration of RMB5,000,000. Shanxi New Energy is engaged in provision of marketing services and sales of automobiles. The acquisition of Shanxi New Energy was completed in July 2015.

The assets acquired and liabilities recognised at the acquisition date are as follows:

	<i>RMB'000</i>
The net assets acquired:	
Trade and other receivables	7,959
Bank balances and cash	4,966
Trade and other payables	(7,740)
Income tax payable	(46)
	<u>5,139</u>
Negative goodwill arising from acquisition of a subsidiary:	
Cash consideration transferred	5,000
Fair value of identifiable net assets acquired	(5,139)
	<u>(139)</u>
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	(5,000)
Bank balances and cash acquired	4,966
	<u>(34)</u>

There is no material difference between the pre-acquisition carrying amounts and fair value of the assets acquired and liabilities recognised. No acquisition-related costs had been incurred in relation to the acquisition.

Shanxi New Energy has contributed a total revenue and a net profit of RMBNil and RMB39,000 respectively from the acquisition date to 31 December 2015. The consolidated revenue and consolidated profit for the year would not be significantly different if the acquisition had occurred on 1 January 2015.

The English translation of the names of the Companies are for reference only. The official names of the Companies are in Chinese.

18. INTERESTS IN JOINT VENTURES

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>1,709,081</u>	<u>438,547</u>
Represented by:		
Cost of unlisted investments	1,720,000	500,000
Gain on deemed disposal of partial interest in a joint venture	4,921	–
Share of post-acquisition profits and other comprehensive income	118,639	13,774
Unrealised gain on disposal of land lease prepayments to a joint venture	(71,600)	(75,227)
Unrealised gain on disposal of a subsidiary to a joint venture (<i>note 16</i>)	<u>(62,879)</u>	<u>–</u>
	<u>1,709,081</u>	<u>438,547</u>

The Group entered into a joint venture agreement (“JV Agreement”) with BNP Paribas Personal Finance, an independent third party, for the establishment of a joint venture, Genius AFC, to engage in the vehicles financing business in the PRC in December 2013. Genius AFC was established in August 2015. Genius AFC was held as to 80% by the Group and as to 20% by BNP Paribas Personal Finance. Pursuant to the JV Agreement, the board of directors of Genius AFC will consist of five directors, of whom four will be nominated by the Group, and one will be nominated by BNP Paribas Personal Finance, respectively. As specified in the JV Agreement between the Group and BNP Paribas Personal Finance, unanimous consent from the Group and the joint venture partners is needed as certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC will be recognised as a joint venture of the Group and accounted for using the equity method.

On 8 January 2015, the Group entered into a joint venture agreement with independent third parties for the establishment of a joint venture, Ninghai Zhidou, to engage in the research and production of automobile parts, components and engines, electric vehicles and the provision of related after-sale services in the PRC. The Group has contributed its entire shareholding in Lanzhou Zhidou, which was owned as to 99% by the Group. The registered capital of Ninghai Zhidou was RMB1,000,000,000, and Ninghai Zhidou was owned as to 50% by the Group and as to 50% by the joint venture partners. All decisions need unanimous consent of the Group and the joint venture parties and both of them have the rights to the net assets of Ninghai Zhidou. The details of the disposal of Lanzhou Zhidou are disclosed in note 16.

In September 2015, Ninghai Zhidou effected an increase in registered capital whereby the other joint venture partners injected additional capital to Ninghai Zhidou amounting to RMB111,110,000. Upon the completion of the capital increase, the registered capital of Ninghai Zhidou changed from RMB1,000,000,000 to RMB1,111,110,000. As a result of such an increase in registered capital, the Group's equity interest in Ninghai Zhidou was diluted from 50% to 45% and a dilution gain of RMB4,921,000 was recognised during the year. The capital increase contributed a deemed disposal for the Group. Despite the dilution in equity interest, the Group was still able to exert joint control over the financial and operating activities on Ninghai Zhidou. Accordingly, the Group continues to account for such investment as a joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Our group's financial performance in 2015 was in line with our expectations with total revenue increased by 39% to RMB30.14 billion for the year ended 31 December 2015 as better than expected domestic sales volume growth was offset by weaker exports and foreign exchange losses. The mid-size sedan model "New Emgrand" remained our group's most popular model in terms of sales volume, accounting for 39% of our total sales volume in 2015. Despite this, our group's ex-factory average selling price ("ASP") continued to improve in 2015, mainly driven by the improvement in product mix (i.e. higher proportion of higher-priced models). Total net profit of our group grew 58% from RMB1.45 billion in 2014 to RMB2.29 billion in 2015 due to the increase in overall sales volume, higher ASP and stable profit margin, but despite the inclusion of unrealized foreign exchange loss arising from our operations in Russia and the unrealized currency translation loss on the issuance of US\$300 million 5.25% 5-year senior notes in October 2014 (the "Senior Notes"). After accounting for non-controlling interests, our net profit attributable to shareholders was up 58% from RMB1.43 billion in 2014 to RMB2.26 billion in 2015. Diluted earnings per share was up 58% to RMB25.66 cents. During the year, our manufacturing operations continued to generate good operational cash inflow with our group's total cash level (bank balances and cash + pledged bank deposits) increasing 27% to RMB9.21 billion at the end of 2015.

Business Overview

China's passenger vehicle market achieved a stable growth in 2015, featured by lower demand for sedans but continued strong growth in demand for Sport Utility Vehicles ("SUVs") and stable growth in Multi-Purpose Vehicles. The sales volume of indigenous brand passenger vehicles grew 15.3% year-on-year ("YoY") in 2015, mainly driven by growth in sales volume of indigenous brand SUVs, compared with the 7.3% YoY growth of the overall China passenger vehicle market according to China Association of Automobile Manufacturers ("CAAM").

Despite our group's focusing on the sedan segment, which has been the weakest part of China's passenger vehicle market, the sales volume of our group in the China market was up a respectful 35.2% YoY in 2015 as a result of the good response to our new sedan models like "New Emgrand" (previously known as "Xindihao", an upgraded version of "EC7"), "New Vision" (new version of our "Vision" sedan) and "Geely GC9" during the year. Our group's strong sales volume growth in 2015 was also partly due to a low base for comparison in 2014, when our sales performance in the China market was affected by the restructuring of our sales and marketing system in China and the commencement of a major model upgrading cycle. Separately, the performance of our group's export sales was also affected by the uncertain political and economic environment in some of our major export markets, and the weakening of emerging market currencies against United States Dollar ("US\$") and thus RMB in 2015. Our group's export sales volume recorded a 56.9% YoY decline but this contributed a 6.0% of China's total export of passenger vehicles in 2015 according to CAAM, making us one of the major vehicle exporters in China.

Our group sold a total of 510,097 units of vehicles in 2015, up 22.1% from 417,851 units in 2014, of which 484,363 units were sold domestically, up 35.2% from 2014, whilst the remaining 25,734 units or 5.0% were sold abroad, down 56.9% from 2014. Our most popular models in 2015 included "New Emgrand", "New Vision", "Geely GC9" and "Geely Kingkong", which together accounted for 76.4% of our group's total sales volume in 2015.

Prospects

Despite an uncertain political and economic environment globally and anticipated slower growth in China, 2016 appears to be a stellar year for the Group given the initial success of the reshuffle of its sales and marketing system in China and the Group's strong new products pipeline in the year. The restructuring has improved the efficiency of the Group's overall distribution capabilities. This, together with the planned launch of more competitive new products over the next few months, should enable the Group to achieve better performance in the China vehicle market. However, 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 motor vehicle manufacturers in China. The impact could be even bigger for China's indigenous brands given their relatively weak pricing power, and thus their difficulties to pass on the additional costs to their customers. Further, pricing competition from the foreign joint venture brands continue to intensify as most of foreign players continued to seize higher market shares in China.

The outlooks for its major export markets remain challenging in 2016. Motor vehicle markets in Russia, Ukraine and the South America have seen a material slowdown since 2014 due to uncertain political and social instability.

On the positive front, the Group's overall competitiveness and management capabilities have strengthened significantly following the success of its strategic transformation to improve "Geely" brand image, product and service quality, technology and innovation. In addition, the Group's financial position has improved significantly as a result of good operational cash inflow. This should allow the Group to continue investing for the future so that it could respond to the rapid market changes more efficiently.

2016 should continue to see investments by the Group in the areas of New Energy Vehicles and the applications of internet, computer and mobile communication technologies in its products and services in view of the increasing demand from customers for products and services in these areas. According to CAAM, sales of New Energy Vehicles in China recorded a robust growth in 2015 and is expected to continue the growth momentum in the years ahead. The Group plans to offer more energy-efficient solutions to its consumers such as PHEVs and HEVs, and will continue to offer high-performance turbocharged engines for more of its models, thus strengthening the Group's product line and enhancing the competitiveness of its products. With the substantial investment in new technologies and innovations like powertrain, new energy and turbocharged engines over the past few years, the Group's products have become far more environmentally friendly and fuel-efficient. The Group will continue to replace its old models with more sophisticated new models equipped with more advanced powertrain technologies. New products should continue to support the Group's overall sales volume growth in 2016. Further, the shift of preference on vehicle procurement by the Chinese Government towards more indigenous brand products should provide additional opportunities for the Group to further expand its sales.

Taking into account the Group's strong new model plan for 2016 and the sales momentum of the Group's latest new models, the Group's board of directors set the 2016 sales volume target at 600,000 units, representing an increase of 18% over 2015.

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 2015, the Group's shareholders' funds amounted to approximately RMB19.5 billion (As at 31 December 2014: approximately RMB17.3 billion). The Company issued 0.54 million ordinary shares upon exercise of share options 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 Renminbi (RMB), the functional currency of the Group.

In terms of export operations, most of the Group's export sales were denominated in United States dollars (US\$) during the year. Also, the Group could face foreign exchange risk, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group's competitiveness and therefore its sales volume in these markets. During the fourth quarter of 2015, the Group's subsidiary in Russia recorded an unrealized foreign exchange loss as a result of the 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 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 2015, the Group's current ratio (current assets/current liabilities) was about 1.24 (As at 31 December 2014: 1.42) and the gearing ratio of the Group was about 9.9% (As at 31 December 2014: 14.5%) which was calculated on the Group's total borrowings (including the 5-year US\$300 million 5.25% senior notes due 2019 ("Senior Notes") but excluding trade and other payables) to total shareholders' equity (excluding non-controlling interests). As at 31 December 2015, 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 net cash level, the Group did not opt to discount these notes receivable without recourse but wait to hold them until maturity during most of the times in 2015. 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 2015, the Group had to prepay these inventories to its suppliers towards the end of 2015. 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 2015, the receipts in advance from customers represented almost 11% (As at 31 December 2014: 12%) of the total current liabilities. Accordingly, the net effect of the above resulted in a decrease in current ratio at the end of year 2015 over the previous year.

Total borrowings (including Senior Notes as defined below but excluding trade and other payables) as at 31 December 2015 amounted to approximately RMB1.9 billion (As at 31 December 2014: approximately RMB2.5 billion) were solely the Senior Notes. At the end of 2015, the Group's total borrowings were denominated in United States Dollars. They were well matched by the currency mix of the Group's revenues from export business, which were mainly denominated in United States Dollars. For the Senior Notes, they were unsecured, interest-bearing and repaid on maturity. The decrease in gearing ratio during the year was mainly due to the repayment of bank borrowings. 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 2015, the total number of employees of the Group was about 18,700 (As at 31 December 2014: 18,481). 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 2015.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.038 per ordinary share for the year ended 31 December 2015. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 27 May 2016 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 2016 to shareholders whose names shall appear on the register of members of the Company on 15 June 2016.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2016 to 27 May 2016, 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 27 May 2016, 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 (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016), for registration not later than 4:00 p.m. on 24 May 2016.

The register of members of the Company will be closed from 13 June 2016 to 15 June 2016, 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 (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016), for registration not later than 4:00 p.m. on 10 June 2016.

CORPORATE GOVERNANCE

For the year ended 31 December 2015, 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.6.5, A.6.7 and E.1.2.

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

CP A.6.5 provides that the Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Although the Company did not host a continuous professional development session for the Directors during the year, the Company makes necessary arrangements for the Directors at its expense upon reasonable request to accommodate their development and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. In this respect, the Directors can submit their applications with details of the curriculum and the relevant course fees to the Chief Executive Officer of the Company; once the training is considered acceptable, the course fees will be fully reimbursed with provision of valid payment receipts.

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

To approve a connected transaction in relation to the acquisition of the entire registered capital of Zhejiang Jirun Chunxiao Automobile Components Company Limited (details are set out in the Company's circular dated 16 March 2015), the Company held an extraordinary general meeting ("EGM") on 31 March 2015. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the meeting. Mr. Ang Siu Lun, Lawrence, the financial adviser and the independent financial adviser attended and answered questions raised by the independent Shareholders at the meeting physically. To approve the continuing connected transactions (including the relevant annual caps) in relation to the Services Agreement, the Electric Vehicle Agreement and the Loan Guarantee Agreement (relevant agreements are defined and details are set out in the circular of the Company dated 14 December 2015 (the "Circular")), the Company held an EGM on 30 December 2015. Due to business commitment in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the meeting. Mr. Ang Siu Lun, Lawrence, the financial adviser and the independent financial adviser attended and answered questions raised by the independent Shareholders at the meeting physically.

The Company held its annual general meeting ("AGM") on 29 May 2015. 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 and the Company's external auditors attended and answered questions raised by the Shareholders at the general meeting physically.

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. 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 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 27 May 2016 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 2015 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 2015 annual report will set out all information disclosed in the annual results announcement for 2015 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 2016.

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

Hong Kong, 22 March 2016

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 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. Yeung Sau Hung, Alex, Mr. Fu Yu Wu, Mr. An Qing Heng and Mr. Wang Yang.