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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 %
	2011 RMB'000	2010 RMB'000 (Restated)	
Turnover/Revenue	20,964,931	20,099,388	4
Other income	1,041,119	818,775	27
Share-based payments	(137,150)	(273,437)	(50)
Profit for the year	1,715,849	1,549,711	11
Profit attributable to the equity holders of the Company	1,543,437	1,368,437	13
<i>Earnings per share</i>			
Basic (RMB cents)	20.72	18.59	11
Diluted (RMB cents)	19.20	17.15	12
Proposed final dividend (per ordinary share) (HK\$)	0.028	0.026	8

The Board decides to recommend payment of a final dividend of HK\$0.028 per ordinary share (2010: HK\$0.026 per ordinary share), and such proposal is subject to approval by shareholders of the Company at the annual general meeting to be held on Friday, 18 May 2012 at 10:00 a.m. (Hong Kong Time).

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the “Board”) of Geely Automobile Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011, together with the comparative figures for 2010 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Note</i>	2011 RMB'000	2010 RMB'000 (Restated)
Turnover/Revenue	6	20,964,931	20,099,388
Cost of sales		<u>(17,144,820)</u>	<u>(16,379,349)</u>
Gross profit		3,820,111	3,720,039
Other income	7	1,041,119	818,775
Distribution and selling expenses		(1,359,337)	(1,190,087)
Administrative expenses, excluding share-based payments		(962,980)	(922,880)
Share-based payments		(137,150)	(273,437)
Finance costs	9	(211,356)	(244,785)
Share of results of associates		<u>(7,199)</u>	<u>(7,302)</u>
Profit before taxation		2,183,208	1,900,323
Taxation	8	<u>(467,359)</u>	<u>(350,612)</u>
Profit for the year	9	<u>1,715,849</u>	<u>1,549,711</u>
Attributable to:			
Equity holders of the Company		1,543,437	1,368,437
Non-controlling interests		<u>172,412</u>	<u>181,274</u>
		<u>1,715,849</u>	<u>1,549,711</u>
Earnings per share			
Basic	11	<u>RMB20.72 cents</u>	<u>RMB18.59 cents</u>
Diluted	11	<u>RMB19.20 cents</u>	<u>RMB17.15 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED 31 DECEMBER 2011*

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit for the year	1,715,849	1,549,711
Other comprehensive income:		
Exchange differences on translation of foreign operations recognised	(23,493)	46,487
Loss arising on revaluation of available-for-sale financial assets	<u>(174)</u>	<u>–</u>
Total comprehensive income for the year	<u>1,692,182</u>	<u>1,596,198</u>
Attributable to:		
Equity holders of the Company	1,519,770	1,414,924
Non-controlling interests	<u>172,412</u>	<u>181,274</u>
	<u>1,692,182</u>	<u>1,596,198</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	<i>Note</i>	2011 RMB'000	2010 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		6,795,825	5,467,494
Intangible assets		2,221,745	1,448,593
Goodwill		6,222	6,222
Interests in associates		83,719	–
Available-for-sale financial assets		3,636	–
Prepaid land lease payments		1,479,575	1,367,701
		<u>10,590,722</u>	<u>8,290,010</u>
Current assets			
Prepaid land lease payments		37,582	33,782
Inventories		1,357,506	986,595
Trade and other receivables	12	12,214,691	9,912,961
Financial assets at fair value through profit or loss		12,225	12,947
Available-for-sale financial assets		–	100,000
Tax recoverable		109	2,391
Pledged bank deposits		353,532	242,582
Bank balances and cash		3,030,391	4,393,075
		<u>17,006,036</u>	<u>15,684,333</u>
Current liabilities			
Trade and other payables	13	12,114,356	10,508,069
Taxation		338,768	173,591
Borrowings		2,531,639	1,096,669
		<u>14,984,763</u>	<u>11,778,329</u>
Net current assets		<u>2,021,273</u>	<u>3,906,004</u>
Total assets less current liabilities		<u>12,611,995</u>	<u>12,196,014</u>
CAPITAL AND RESERVES			
Share capital	14	139,573	139,279
Reserves		9,442,627	7,882,603
Equity attributable to equity holders of the Company		9,582,200	8,021,882
Non-controlling interests		567,915	1,055,795
Total equity		<u>10,150,115</u>	<u>9,077,677</u>
Non-current liabilities			
Convertible bonds	15	1,526,760	1,483,012
Long-term borrowings		842,926	1,562,312
Deferred taxation	16	92,194	73,013
		<u>2,461,880</u>	<u>3,118,337</u>
		<u>12,611,995</u>	<u>12,196,014</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and staff welfare 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
At 1 January 2010	136,993	3,334,306	88,059	21,134	89,211	31,007	232,864	-	2,442,039	6,375,613	720,907	7,096,520
Profit for the year	-	-	-	-	-	-	-	-	1,368,437	1,368,437	181,274	1,549,711
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	46,487	-	-	-	-	46,487	-	46,487
Total comprehensive income for the year	-	-	-	-	46,487	-	-	-	1,368,437	1,414,924	181,274	1,596,198
Transactions with owners:												
Utilisation of reserve	-	-	-	(3,520)	-	-	-	-	3,520	-	-	-
Shares issued under share option scheme	2,286	124,713	-	-	-	(20,739)	-	-	-	106,260	-	106,260
Recognition of share-based payments	-	-	-	-	-	273,437	-	-	-	273,437	-	273,437
Transfer upon forfeiture of share options	-	-	-	-	-	(171)	-	-	171	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	153,614	153,614
Dividends paid	-	-	-	-	-	-	-	-	(148,352)	(148,352)	-	(148,352)
Total transactions with owners	2,286	124,713	-	(3,520)	-	252,527	-	-	(144,661)	231,345	153,614	384,959
At 31 December 2010	139,279	3,459,019	88,059	17,614	135,698	283,534	232,864	-	3,665,815	8,021,882	1,055,795	9,077,677
Profit for the year	-	-	-	-	-	-	-	-	1,543,437	1,543,437	172,412	1,715,849
Other comprehensive income:												
Exchange differences on translation of foreign operations recognised	-	-	-	-	(23,493)	-	-	-	-	(23,493)	-	(23,493)
Loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	-	-	(174)	-	(174)	-	(174)
Total comprehensive income for the year	-	-	-	-	(23,493)	-	-	(174)	1,543,437	1,519,770	172,412	1,692,182
Transactions with owners:												
Utilisation of reserve	-	-	-	(213)	-	-	-	-	213	-	-	-
Shares issued under share option scheme	294	16,189	-	-	-	(2,633)	-	-	-	13,850	-	13,850
Disposal of partial interest in a subsidiary (without losing control)	-	-	-	-	-	-	-	-	179	179	1,571	1,750
Acquisition of additional equity interest in subsidiaries	-	-	-	-	-	-	-	-	59,785	59,785	(661,863)	(602,078)
Recognition of share-based payments	-	-	-	-	-	137,150	-	-	-	137,150	-	137,150
Transfer upon forfeiture of share options	-	-	-	-	-	(165)	-	-	165	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(170,416)	(170,416)	-	(170,416)
Total transactions with owners	294	16,189	-	(213)	-	134,352	-	-	(110,074)	40,548	(660,292)	(619,744)
At 31 December 2011	<u>139,573</u>	<u>3,475,208</u>	<u>88,059</u>	<u>17,401</u>	<u>112,205</u>	<u>417,886</u>	<u>232,864</u>	<u>(174)</u>	<u>5,099,178</u>	<u>9,582,200</u>	<u>567,915</u>	<u>10,150,115</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Note</i>	2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from operating activities			
Profit for the year before taxation		2,183,208	1,900,323
Adjustments for:			
Depreciation and amortisation		641,910	504,380
Interest income		(44,084)	(52,357)
Dividend income		(822)	–
Finance costs		211,356	244,785
Share of results of associates		7,199	7,302
Loss on disposal of property, plant and equipment		3,530	4,949
Gain on disposal of intangible assets		(515)	(1,903)
Gain on disposal of prepaid land leases payments		(5,641)	–
Net foreign exchange losses		3,139	16,911
Gain on disposal of available-for-sale financial assets		(1,620)	–
Unrealised loss/(gain) on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)		722	(738)
Share-based payment expenses		137,150	273,437
Operating profit before working capital changes		3,135,532	2,897,089
Inventories		(363,179)	(343,225)
Trade and other receivables		(2,321,805)	(2,896,749)
Trade and other payables		1,038,118	2,539,364
Cash from operations		1,488,666	2,196,479
Income taxes paid		(280,726)	(213,978)
<i>Net cash from operating activities</i>		1,207,940	1,982,501

	<i>Note</i>	2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,420,269)	(1,529,406)
Proceeds from disposal of property, plant and equipment		199,406	193,523
Addition of prepaid land lease payments		(8,327)	(27,424)
Proceeds from disposal of prepaid land lease payments		83,086	5,927
Addition of intangible assets		(768,305)	(515,217)
Proceeds from disposal of intangible assets		18,662	57,403
Change in pledged bank deposits		(110,950)	651,710
Acquisition of subsidiaries	<i>18/19</i>	(398,023)	(134,475)
Acquisition of additional interest in subsidiaries		(602,078)	–
Proceeds on disposal of partial interest in a subsidiary (without losing control)		1,750	–
Investment in associates		(90,918)	–
Purchase of available-for-sale financial assets		(753,810)	(100,000)
Proceeds from disposal of available-for-sale financial assets		851,620	–
Interest received		44,084	52,357
Dividend received from financial assets at fair value through profit or loss (listed investments)		822	–
<i>Net cash used in investing activities</i>		(2,953,250)	(1,345,602)
Cash flows from financing activities			
Dividends paid		(170,416)	(148,352)
Proceeds from issuance of shares upon exercise of share options		13,850	106,260
Capital contribution from non-controlling shareholders		–	153,614
Short-term bank borrowings, net, in respect of bank borrowings arising from discounted bills		–	(47,754)
Proceeds from borrowings		1,942,752	1,118,000
Repayment of borrowings		(1,227,168)	(1,708,900)
Interest paid		(166,192)	(205,210)
<i>Net cash from (used in) financing activities</i>		392,826	(732,342)
Decrease in cash and cash equivalents		(1,352,484)	(95,443)
Cash and cash equivalents at beginning of year		4,393,075	4,498,155
Effect of foreign exchange rate changes		(10,200)	(9,637)
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		3,030,391	4,393,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public listed limited liability company incorporated in the Cayman Islands as an exempted limited liability company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). At 31 December 2011, the directors consider the ultimate holding company of the Company to be Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is incorporated in the People’s Republic of China (“PRC”).

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

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

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

2. STATEMENT OF COMPLIANCE

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

In the current year, the Group has applied for the first time the following new 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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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. CHANGE IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy for government grants. Government grants related to assets are now deducted from the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset by reducing the depreciation expense. Before the change in accounting policy, the government grants related to assets were included in non-current liabilities as deferred government grants and recognised as subsidy income (included in other income) over the useful life of the assets in the consolidated income statement.

Management believes that the new classification of deferred government grants gives a more relevant and reliable presentation of the results and financial position of the Group.

The change in accounting policy has been accounted for retrospectively and the consolidated financial statements have been restated. The effect on the consolidated financial statements is as follows:

	At 31 December	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Decrease in property, plant and equipment	372,080	329,256
Decrease in trade and other payables	37,720	34,959
Decrease in deferred government grants	334,360	294,297
	For the year ended 31 December	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Decrease in subsidy income from government (included in other income)	40,008	20,335
Decrease in depreciation expense (included in cost of sales)	40,008	20,335

The change in accounting policy does not affect the profit or loss or the net assets of the Group as at and for the years ended 31 December 2011 and 2010 and hence does not affect the calculation of earnings per share for the years.

The 2010 comparatives have been restated in these financial statements to reflect the above adjustments. This restatement would ordinarily require the presentation of a consolidated balance sheet as at 1 January 2010. However, the Group did not have any outstanding government grants related to assets as at 1 January 2010. As a result, the consolidated balance sheet as at 1 January 2010 is not presented as it is unchanged from that previously presented.

4. EFFECTS OF APPLICATION OF HKFRSs NOT YET EFFECTIVE

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 27 (Amendments)	Separate Financial Statements (2011) ³
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures (2011) ³
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets ¹
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2014

⁵ Effective for annual periods beginning on or after 1 January 2015

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

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

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

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

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

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

HKFRS 9 – Financial Instruments

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

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

The Group is still assessing the impact of adopting HKFRS 9.

HKFRS 10 – Consolidated Financial Statements

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

HKFRS 11 – Joint Arrangements

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

HKFRS 12 – Disclosures of Interests in Other Entities

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

HKFRS 13 – Fair Value Measurement

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

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

5. SEGMENT INFORMATION

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

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

Gearboxes: Manufacture and sale of gearboxes.

Segment profit represents the profit earned by each segment without allocation of corporate expenses, directors’ emoluments, share of results of associates, interest income, interest expense and taxation. Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, deferred tax assets and other corporate assets. This is the measure reported to the Group’s chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

Consolidated Income Statement

For the year ended 31 December 2011

	Automobiles and related parts and components	Gearboxes	Unallocated	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers	20,170,835	794,096	–	–	20,964,931
Inter-segment	<u>37,177</u>	<u>452,275</u>	<u>–</u>	<u>(489,452)</u>	<u>–</u>
Total segment revenue	<u>20,208,012</u>	<u>1,246,371</u>	<u>–</u>	<u>(489,452)</u>	<u>20,964,931</u>
Segment results	2,495,723	28,027	–	–	2,523,750
Interest income	40,596	3,173	634	(319)	44,084
Finance costs	(116,061)	(408)	(95,206)	319	(211,356)
Corporate and other unallocated expenses	–	–	(166,071)	–	(166,071)
Share of results of associates	<u>(7,199)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,199)</u>
Profit before tax					2,183,208
Taxation					<u>(467,359)</u>
Profit for the year					<u>1,715,849</u>

Consolidated Balance Sheet

At 31 December 2011

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

Other Information

For the year ended 31 December 2011

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

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

Consolidated Income Statement
For the year ended 31 December 2010

	Automobiles and related parts and components	Gearboxes	Unallocated	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers	19,483,478	615,910	–	–	20,099,388
Inter-segment	<u>8,692</u>	<u>404,078</u>	<u>–</u>	<u>(412,770)</u>	<u>–</u>
Total segment revenue	<u>19,492,170</u>	<u>1,019,988</u>	<u>–</u>	<u>(412,770)</u>	<u>20,099,388</u>
Segment results	2,382,311	18,405	–	–	2,400,716
Interest income	49,003	3,125	229	–	52,357
Finance costs	(153,437)	–	(91,348)	–	(244,785)
Corporate and other unallocated expenses	–	–	(300,663)	–	(300,663)
Share of results of an associate	<u>(7,302)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,302)</u>
Profit before tax					1,900,323
Taxation					<u>(350,612)</u>
Profit for the year					<u>1,549,711</u>

Consolidated Balance Sheet
At 31 December 2010 (Restated)

	Automobiles and related parts and components	Gearboxes	Unallocated	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS					
Segment assets	<u>22,970,467</u>	<u>804,156</u>	<u>258,712</u>	<u>(58,992)</u>	<u>23,974,343</u>
LIABILITIES					
Segment liabilities	<u>13,148,872</u>	<u>278,243</u>	<u>1,528,543</u>	<u>(58,992)</u>	<u>14,896,666</u>

Other Information

For the year ended 31 December 2010 (Restated)

	Automobiles and related parts and components	Gearboxes	Unallocated	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital additions (note)	2,766,547	26,581	–	–	2,793,128
Amortisation of intangible assets	83,407	–	–	–	83,407
Amortisation of prepaid land lease payments	33,683	–	–	–	33,683
Depreciation of property, plant and equipment	<u>351,538</u>	<u>35,752</u>	<u>–</u>	<u>–</u>	<u>387,290</u>

Note: Capital additions include those arising from the acquisition of a subsidiary (note 19) and are presented before the deduction of the asset-related government grants received.

Geographical information

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers		
Hong Kong, place of domicile	–	–
PRC	18,923,680	18,505,412
Australia	75,950	192,405
Europe	595,012	286,490
Korea	803,571	371,751
Other countries	566,718	743,330
	<u>20,964,931</u>	<u>20,099,388</u>

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Specified non-current assets		(Restated)
Hong Kong, place of domicile	124	93
PRC	10,204,925	7,857,848
Australia	382,037	432,069
	<u>10,587,086</u>	<u>8,290,010</u>

6. TURNOVER/REVENUE

Turnover/revenue represents the consideration received and receivable from sales, net of discounts, returns and related sales taxes, of automobiles and automobile parts and components.

The Group's customer base is diversified and no customer with whom the transactions has exceeded 10% of the Group's revenue.

7. OTHER INCOME

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i> (Restated)
Bank and other interest income	44,084	52,357
Dividend income from financial assets at fair value through profit or loss (listed investments)	822	–
Unrealised gain on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	–	738
Rental income (<i>note 1</i>)	23,143	14,589
Net claims income on defective materials purchased	11,541	–
Gain on disposal of scrap materials	53,929	48,669
Gain on disposal of prepaid land lease payments	5,641	–
Gain on disposal of intangible assets	515	1,903
Subsidy income from government (<i>note 2</i>)	877,437	640,291
Gain on disposal of available-for-sale financial assets	1,620	–
Sundry income	22,387	60,228
	<u>1,041,119</u>	<u>818,775</u>

Note:

1. Rental income net of outgoings for the year ended 31 December 2011 is RMB7,253,000 (2010: RMB10,081,000).
2. Subsidy income mainly relates to cash subsidies (excluding any asset-related subsidies) in respect of research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

8. TAXATION

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current tax:		
PRC enterprise income tax	415,846	313,157
Other overseas tax	977	–
Underprovision in prior years	<u>31,362</u>	<u>2,692</u>
	448,185	315,849
Deferred taxation (<i>note 16</i>)	<u>19,174</u>	<u>34,763</u>
	<u><u>467,359</u></u>	<u><u>350,612</u></u>

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

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

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

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit before taxation	<u><u>2,183,208</u></u>	<u><u>1,900,323</u></u>
Tax at the PRC enterprise income tax rate of 25% (2010: 25%)	545,802	475,081
Tax effect of expenses not deductible in determining taxable profit	152,851	136,732
Tax effect of non-taxable income	(46,486)	(60,357)
Tax effect of unrecognised tax losses	15,767	21,800
Utilisation of previously unrecognised tax losses	(75,300)	(410)
Tax effect of different tax rates of entities operating in other jurisdictions	21,720	34,203
Deferred tax charge on distributable profits withholding tax (<i>note 16</i>)	29,156	34,966
Effect of tax exemption granted to the PRC subsidiaries	(207,513)	(294,095)
Underprovision in prior years	<u>31,362</u>	<u>2,692</u>
Tax expense for the year	<u><u>467,359</u></u>	<u><u>350,612</u></u>

The applicable tax rate is the PRC enterprise income tax rate of 25% (2010: 25%). The Group is also liable to withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. Deferred tax liability of RMB29,156,000 (2010: RMB34,966,000) was recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

9. PROFIT FOR THE YEAR

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Finance costs		
Effective interest expense on convertible bonds	93,829	90,941
Interest on bank borrowings wholly repayable within five years	117,242	153,416
Interest expenses paid to a non-controlling shareholder of a subsidiary of the Group	285	428
	<u>211,356</u>	<u>244,785</u>
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	1,124,999	786,448
Retirement benefit scheme contributions	143,545	57,284
Recognition of share-based payments	137,150	273,437
	<u>1,405,694</u>	<u>1,117,169</u>
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i> (Restated)
Other items		
Cost of inventories recognised as expense (<i>note</i>)	17,144,820	16,379,349
Auditors' remuneration	5,013	4,301
Depreciation	502,542	387,290
Amortisation of prepaid land lease payments	28,443	33,683
Amortisation of intangible assets	110,925	83,407
Loss on disposal of property, plant and equipment	3,530	4,949
Net claims paid on defective materials sold	–	27,244
Net foreign exchange losses	22,994	21,897
Operating leases charges on premises	10,954	2,489
Research and development costs	105,847	97,637
Unrealised loss/(gain) on financial instruments at fair value through profit or loss that are classified as held for trading (listed investments held for trading)	<u>722</u>	<u>(738)</u>

Note:

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

10. DIVIDENDS

A final dividend for the year ended 31 December 2010 of HK\$0.026 per share amounting to approximately RMB170,416,000 were paid to the shareholders of the Company during the year.

A final dividend for the year ended 31 December 2011 of HK\$0.028 per share amounting to approximately RMB183,833,000 has been proposed by the Board of Directors after the balance sheet date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2012 if it is approved by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,543,437,000 (2010: RMB1,368,437,000) and weighted average number of ordinary shares of 7,450,443,245 shares (2010: 7,362,781,505 shares), calculated as follows:

(i) *Weighted average number of ordinary shares*

	2011	2010
Issued ordinary shares at 1 January	7,440,755,450	7,310,855,450
Effect of shares issued upon exercise of share options	<u>9,687,795</u>	<u>51,926,055</u>
Weighted average number of ordinary shares at 31 December	<u><u>7,450,443,245</u></u>	<u><u>7,362,781,505</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to equity holders of the Company of RMB1,637,266,000 (2010: RMB1,459,378,000) and the weighted average number of ordinary shares of 8,528,146,935 shares (2010: 8,511,197,705 shares), calculated as follows:

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

	2011 RMB'000	2010 RMB'000
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders)	1,543,437	1,368,437
After tax effect of effective interest on the liability component of convertible bonds	<u>93,829</u>	<u>90,941</u>
Earnings for the purpose of diluted earnings per share	<u>1,637,266</u>	<u>1,459,378</u>

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

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,450,443,245	7,362,781,505
Effect of deemed conversion of convertible bonds	1,008,151,554	1,001,277,412
Effect of deemed exercise of warrants	39,403,557	100,647,803
Effect of deemed issue of shares under the Company's share option scheme	<u>30,148,579</u>	<u>46,490,985</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>8,528,146,935</u>	<u>8,511,197,705</u>

12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2011 RMB'000	2010 RMB'000
Trade and notes receivables			
Trade receivables			
– Third parties		951,550	962,228
– Related companies controlled by the substantial shareholder of the Company		766,887	487,846
		<hr/>	<hr/>
	<i>(a)</i>	1,718,437	1,450,074
Notes receivable	<i>(b)</i>	8,832,267	6,073,987
		<hr/>	<hr/>
		10,550,704	7,524,061
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		106,201	214,367
– Related companies controlled by the substantial shareholder of the Company		499,927	1,382,045
		<hr/>	<hr/>
		606,128	1,596,412
Deposits paid for acquisition of property, plant and equipment		237,203	298,316
VAT and other taxes receivables		614,733	318,881
Utility deposits and other receivables		191,524	175,291
		<hr/>	<hr/>
		1,649,588	2,388,900
Amounts due from related parties controlled by the substantial shareholder of the Company	<i>(c)</i>	12,635	–
Amount due from ultimate holding company	<i>(c)</i>	1,764	–
		<hr/>	<hr/>
		1,663,987	2,388,900
		<hr/>	<hr/>
		12,214,691	9,912,961
		<hr/> <hr/>	<hr/> <hr/>

(a) **Trade receivables**

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 – 60 days	653,886	588,080
61 – 90 days	35,807	55,170
Over 90 days	155,219	144,354
	844,912	787,604

For overseas trade customers, the Group may allow a credit period of over 1 year. The following is an aged analysis of the trade receivables of overseas trade customers based on invoice dates at the balance sheet dates:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 – 60 days	244,832	277,491
61 – 90 days	155,982	47,070
91 – 365 days	268,161	244,848
Over 1 year	204,550	93,061
	873,525	662,470

Of the total trade receivables balance at 31 December 2011, RMB514,051,000 (2010: RMB164,366,000) was due from the Group's largest customer. Other than the largest customer, there were four customers (2010: nil) who represented more than 10% of the total balance of trade receivables.

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 – 30 days past due	77,712	80,152
31 – 60 days past due	36,285	43,115
61 – 90 days past due	18,526	58,742
Over 90 days past due	96,503	11,938
	229,026	193,947

As at 31 December 2011, trade receivables of RMB1,489,411,000 (2010: RMB1,256,127,000) 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 RMB229,026,000 (2010: RMB193,947,000) which were past due at the balance sheet date for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances. No material impairment has been made to the trade receivables balance. Receivables that were neither past due nor 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.

(b) Notes receivable

All notes receivable were denominated in Renminbi and are primarily notes received from third parties for the year ended 31 December 2011 and 2010 respectively for settlement of trade receivable balances. At 31 December 2011 and 2010, all notes receivables were guaranteed by established banks in the PRC and have maturities of six months or less from 31 December.

The Group pledged RMB457,370,000 notes receivable to banks to secure the Group's notes payable as at 31 December 2011 (2010: nil).

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

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

Except for trade and other receivables amounting to RMB83,558,000 (2010: RMB54,170,000) which is expected to be recovered after 1 year from the balance sheet date, all other trade and other receivables are expected to be recovered or recognised as an expense within 1 year.

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2011 RMB'000	2010 RMB'000 (Restated)
Trade and notes payables			
Trade payables			
– Third parties		4,991,644	4,619,345
– An associate		101,020	–
– Related parties controlled by the substantial shareholder of the Company		<u>1,288,583</u>	<u>728,792</u>
	<i>(a)</i>	<u>6,381,247</u>	5,348,137
Notes payable			
– Third parties		1,005,189	10,000
– Related parties controlled by the substantial shareholder of the Company		<u>–</u>	<u>325,164</u>
	<i>(b)</i>	<u>1,005,189</u>	335,164
		<u>7,386,436</u>	<u>5,683,301</u>
Other payables			
Accrued charges and other creditors			
Receipts in advance from customers			
– Third parties		1,600,910	2,739,679
– Related parties controlled by the substantial shareholder of the Company		<u>1,165,819</u>	<u>15,680</u>
		<u>2,766,729</u>	2,755,359
Deferred income related to government grants which conditions have not been satisfied		34,190	434,110
Payables for acquisition of property, plant and equipment		718,615	609,340
Accrued staff salaries and benefits		240,338	198,787
VAT and other taxes payables		356,360	205,612
Other accrued charges		<u>419,188</u>	<u>612,347</u>
		<u>4,535,420</u>	4,815,555
Amounts due to related parties controlled by the substantial shareholder of the Company	<i>(c)</i>	185,062	–
Amount due to ultimate holding company	<i>(e)</i>	939	–
Loan from a non-controlling shareholder of a subsidiary of the Group	<i>(d)</i>	<u>6,499</u>	<u>9,213</u>
		<u>4,727,920</u>	<u>4,824,768</u>
		<u>12,114,356</u>	<u>10,508,069</u>

(a) Trade payables

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 – 60 days	5,120,325	4,464,062
61 – 90 days	700,064	625,890
Over 90 days	560,858	258,185
	<u>6,381,247</u>	<u>5,348,137</u>

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

(b) Notes payable

At 31 December 2011 and 2010, all notes payable have maturities of less than 1 year.

(c) Amounts due to related parties

The amounts due to related parties controlled by the substantial shareholder of the Company are unsecured, interest-free and have no fixed repayment terms.

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

Loan from a non-controlling shareholder of a subsidiary of the Group is unsecured, interest bearing at 2.78% to 6.56% (2010: 2.86% to 5.56%) per annum and repayable within one year.

(e) Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms.

Except for other payables amounting to RMB36,765,000 (2010: RMB33,148,000) which is expected to be payable after 1 year from the balance sheet date, all other trade and other payables are expected to be settled or recognised as income within 1 year.

14. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2010 and 31 December 2011	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2010	7,310,855,450	136,993
Shares issued under share option scheme	<u>129,900,000</u>	<u>2,286</u>
At 31 December 2010 and 1 January 2011	7,440,755,450	139,279
Shares issued under share option scheme	<u>16,705,000</u>	<u>294</u>
At 31 December 2011	<u>7,457,460,450</u>	<u>139,573</u>

During the year, options were exercised to subscribe for 16,705,000 ordinary shares in the Company at a consideration of approximately RMB13,850,000 of which approximately RMB294,000 was credited to share capital and the balance of RMB13,556,000 was credited to the share premium account. As a result of the exercise of options, RMB2,633,000 has been transferred from the share option reserve to the share premium account.

15. CONVERTIBLE BONDS

On 22 September 2009, the Company entered into an agreement (“Subscription Agreement”) pursuant to which certain investors (“Investors”) have agreed to subscribe for convertible bonds and warrants (collectively, the “Instruments”) of the Company. The Subscription Agreement was subsequently supplemented by agreements in which the Company and Investors agreed the redenomination of the Instruments from Hong Kong dollar to Renminbi. The Company currently has outstanding convertible bonds of RMB1,671 million (approximately HK\$1,897 million) 3% coupon convertible bonds due 2014 (“CB 2014”) and none of the convertible bonds has been converted since the issue date of 11 November 2009.

The CB 2014 are convertible into fully paid ordinary shares of HK\$0.02 each of the Company at an initial conversion price of RMB1.67 (equivalent to HK\$1.9) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2010, the conversion price of the CB2014 was changed to RMB1.651 (equivalent to HK\$1.8742) from 30 June 2011 in accordance with the provisions of CB 2014.

Redemption

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

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

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

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

	2011	2010
	RMB'000	RMB'000
Liability component		
Carrying amount brought forward	1,488,725	1,449,150
Accrued effective interest charges	93,829	90,941
Interest paid during the year	(48,665)	(51,366)
	<u>1,533,889</u>	<u>1,488,725</u>
Liability component is represented by:		
Convertible bonds	1,526,760	1,483,012
Accrued interest included in trade and other payables (<i>note 13</i>)	7,129	5,713
	<u>1,533,889</u>	<u>1,488,725</u>

The principal amount outstanding at 31 December 2011 is RMB1,671 million (2010: RMB1,671 million).

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

16. DEFERRED TAXATION

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
At 1 January	73,013	37,727
Exchange differences	7	523
Charge to the consolidated income statement (<i>note 8</i>)	<u>19,174</u>	<u>34,763</u>
At 31 December	<u><u>92,194</u></u>	<u><u>73,013</u></u>

Deferred tax assets in respect of provisions

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
At 1 January	17,965	14,259
Exchange differences	(850)	1,581
Credit to the consolidated income statement	<u>4,062</u>	<u>2,125</u>
At 31 December	<u><u>21,177</u></u>	<u><u>17,965</u></u>

The deferred tax assets have been offset against certain deferred tax liabilities on the consolidated balance sheet as they are related to the same group entity and related to tax levied by the same tax authority.

Deferred tax liabilities

	Undistributed profit of subsidiaries <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2010	32,281	19,705	51,986
Exchange differences	–	2,104	2,104
Charge to the consolidated income statement	<u>34,966</u>	<u>1,922</u>	<u>36,888</u>
At 1 January 2011	67,247	23,731	90,978
Exchange differences	–	(843)	(843)
Charge to the consolidated income statement	<u>29,156</u>	<u>(5,920)</u>	<u>23,236</u>
At 31 December 2011	<u><u>96,403</u></u>	<u><u>16,968</u></u>	<u><u>113,371</u></u>

Withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. The unrecognised temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately RMB1,602 million (2010: RMB1,921 million).

At the balance sheet date, the Group has unused tax losses of approximately RMB168 million (2010: RMB324 million) available for offset against future profits that may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

17. WARRANTS

As set out in note 15, during the year ended 31 December 2009, the Company issued 299,526,900 warrants to certain investors with a subscription price of HK\$1 for all the warrants. The warrants are convertible into fully paid ordinary shares of HK\$0.02 each of the Company at an initial exercise price of RMB2.0262 (equivalent to HK\$2.3) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2010, the exercise price of the warrants were adjusted to RMB1.9986 (equivalent to HK\$2.2687) per share from 30 June 2011 in accordance with the provisions of the warrants. The warrants are exercisable in part or in whole at any time from the issue date of the warrants on 11 November 2009 to the fifth anniversary of the issuance of the warrants and are freely transferable, but in minimum tranches of 250,000 warrants. The warrants have been classified as equity instruments of the Company.

During the year, none of the warrants issued has been exercised (2010: nil).

18. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

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

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

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

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

19. BUSINESS COMBINATIONS

On 27 October 2009, the Company entered into agreement with Zhejiang Geely Holding Group Company Limited and its subsidiary to acquire 100% interests in Jinan Geely Automobile Company Limited (“Jinan Geely”). The acquisition of Jinan Geely was completed on 7 January 2010. Details of the acquisition have been set out in the Company’s circular dated 17 November 2009.

The net assets acquired in the acquisition of Jinan Geely are as follows:

	Carrying amount and fair value <i>RMB'000</i>
Net assets acquired:	
Property, plant and equipment	178,632
Prepaid land lease payments	212,833
Trade and other receivables	871,283
Inventories	2,866
Cash and cash equivalents	45,553
Trade and other payables	(661,139)
Bank borrowings	<u>(470,000)</u>
	<u><u>180,028</u></u>
Total consideration satisfied by:	
Cash	<u><u>180,028</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(180,028)
Bank balances and cash acquired	<u>45,553</u>
	<u><u>(134,475)</u></u>

The directors assessed that the differences between fair values and carrying amounts of assets and liabilities are insignificant. No goodwill arose in the acquisition of Jinan Geely.

The business acquired did not make any significant contribution to the revenue or profit of the Group for the period between the acquisition date/beginning period date and the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall, the Group's performance in 2011 remained satisfactory with total revenue increased by 4% to RMB21.0 billion for the year ended 31 December 2011. Profit attributable to the equity holders of the Company grew faster by 13% to RMB1.54 billion. The 2011 results were despite the start-up costs of the new automatic transmissions plants in Xiangtan, the still small scale production at two new manufacturing plants in Jinan and Chengdu, and the additional expenses related to the development of three new product brands and their associated distribution networks during the year. The Group's product mix continued to improve in 2011. Our flagship mid-size sedan model "EC7", which is retailing at RMB75,800 to RMB109,800, has become the Group's most popular model in terms of sales volume. Total net profit of the Group was up 11% from RMB1.55 billion in 2010 to RMB1.72 billion in 2011. After non-controlling interests, net profit attributable to shareholders of the Company was up 13% from RMB1.37 billion in 2010 to RMB1.54 billion in 2011. Despite heavy investments in new and upgraded capacity, new models and technologies, and new brand and distribution channel development, the Group's financial position stayed at healthy level with net debt to equity ratio at a comfortable 16% at the end of 2011.

Business Overview

Growth in China's sedan market slowed down considerably in 2011 after two exceptionally strong years in 2009 and 2010, principally driven by the Chinese Government's short-term stimulation programme to promote economy sedans in a bid to sustain economic growth in China. The expiration of the automobile stimulation programme at the end of 2010 and tighter monetary policy in China combined to suppress demand for economy sedans in China. Despite these, the Group successfully overcame these challenges and continued to achieve solid growth in 2011. With a new focus on quality and sustainable growth, the Group continued to implement major structural changes during the year, changing management structure from product line management to product brand management, thus further optimizing operating efficiency, enhancing brand and product image, and improving customers' services. While the growth of the Chinese sedan market slowed down significantly in 2011, recovery in our major export markets continued throughout the year, resulting in an encouraging 93% growth in our export volume to 39,600 units in 2011.

The Group sold a total of 421,611 units of sedans in 2011, up 1% from 2010, of which 9% or 39,600 units were sold abroad, up 93% from last year. In the Chinese market, the Group's sales volume was down 3% from 2010 to 382,011 units in 2011, mainly due to slower sales of older, smaller sized and cheaper models. As a result, sales volume at both GLEagle division and Englon division decreased 11% and 5% respectively from 2010. Sales volume at Emgrand division, which featured the Group's newer and higher-priced models, however, grew 47% to 106,676 units, accounting for 25% of the Group's total sales volume.

Outlook

With the significant improvement in brand image, product and service quality, the Group's overall competitiveness has strengthened significantly over the past few years, thus putting the Group in a much stronger position to meet any new market challenges in the future. Major investments in upgraded production facilities, new product platforms, and sophisticated technologies like automatic transmissions should have enabled the Group to achieve sustainable growth in the longer-term. As a result of the effort spent by the Group in the past few years to strengthen its export business, through continued improvement in distribution capabilities and revamping of its manufacturing arrangements in major export markets, the Group's export performance is set to improve in the coming years. This should provide the Group with a cushion to buffer any possible cyclical downturn in the China sedan market in the future.

Motor vehicle sales in most parts of the world market have been weakening since last year and have shown little sign of improvement so far this year. In view of the high level of uncertainties in most of the major economies, and the possible slower economic growth and continued tight monetary policy in China, the Group's management team decided to maintain its conservative stance, implementing more stringent cost control and more cautious capital investment strategy. As a result, the Group's Board of Directors set our 2012 sales volume target at 460,000 units, up 9% from 2011, which is slightly higher than the level of projected growth of China's sedan market by the China Association of Automobile Manufacturers.

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 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, shareholders' loan from the its parent Geely Holding Group and fund raising exercises in the capital market. As at 31 December 2011, the Group's shareholders' funds amounted to approximately RMB9.6 billion (As at 31 December 2010: approximately RMB8.0 billion). The Company issued around 16.7 million ordinary shares upon exercise of share options during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's current ratio (current assets/current liabilities) was about 1.13 (As at 31 December 2010: 1.33 (restated)) and the gearing ratio of the Group was about 51.2% (As at 31 December 2010: 51.6%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2011, the substantial increase in receivables (in particular, the notes receivable) was mainly due to (a) the continual strong sales momentum for the Group's models particularly in the fourth quarter of the current year (i.e. the traditional peak seasons for automobile industry) and the Group received huge amount of notes receivable from its customers during that period; and (b) thanks to the relatively low interest environment and healthy net debt 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 2011. 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 2011, the Group had to prepay these inventories to its suppliers towards the end of 2011. Separately, the strong sales momentum for the Group's products also drove its dealers to pay in advance in order to secure adequate inventories at their sales premises at the year end. As at 31 December 2011, the receipts in advance from customers represented almost 18% (As at 31 December 2010: 23%) of the total current liabilities. Accordingly, the net effect of the above resulted in a decrease in current ratio at the end of year 2011 over the previous year.

Total borrowings (excluding trade and other payables) as at 31 December 2011 amounted to approximately RMB4.9 billion (As at 31 December 2010: approximately RMB4.1 billion) were mainly the Company's convertible bonds and bank borrowings. For the Company's convertible bonds, they are unsecured, interest-bearing and repayable on early redemption or maturity. For the bank borrowings, they are mostly interest-bearing and repayable on maturity. The slight decrease in gearing ratio during the year was mainly due to the increase in equity as a result of another record-high profit attained by the Group in the year of 2011. 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 2011, the total number of employees of the Group was about 17,288 (As at 31 December 2010: 17,102). 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 2011.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.028 per ordinary share for the year ended 31 December 2011. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 18 May 2012 at 10:00 a.m. (Hong Kong Time). Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid in July 2012 to shareholders whose names shall appear on the register of members of the Company on 31 May 2012.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2012 to 18 May 2012, 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 18 May 2012, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 15 May 2012 (Hong Kong Time).

The register of members of the Company will be closed from 29 May 2012 to 31 May 2012, 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 Branch Share Registrar in Hong Kong, Union Registrars Limited, at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on 28 May 2012 (Hong Kong Time).

CORPORATE GOVERNANCE

The Company has met with the code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 to the Listing Rules, throughout the year ended 31 December 2011, except for the deviation from CG Code E.1.2 as explained below:

The CG Code E.1.2 provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other commitment in the PRC, Mr. Li Shu Fu ("Mr. Li"), the Chairman of the Board, was unable to attend physically at the annual general meeting of the Company held on 18 May 2011 in Hong Kong. Yet Mr. Li has appointed Mr. Ang Siu Lun, Lawrence, an executive Director, whom shall report to him on any enquiries Shareholders might have, as his proxy to attend the meeting. Further, the Company would facilitate a conference call for Shareholders and the Chairman to discuss any specific enquiries with respect to the businesses contemplated in the annual general meeting if they so wished.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by Officers (the “Code”). All directors of the Company have confirmed their compliance during the year with the required standards set out in the Model Code and the Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an Audit Committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Audit Committee currently comprises Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex, 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 2011.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 18 May 2012 at 10:00 a.m. (Hong Kong Time). A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2011 have been agreed by the Group’s auditors, Grant Thornton Jingdu Tianhua (the “Auditors”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

ANNOUNCEMENT OF ANNUAL REPORT ON THE WEB SITES OF THE COMPANY AND THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2011 annual report will set out all information disclosed in the annual results announcement for 2011 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 2012.

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

Hong Kong, 22 March 2012

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. Ang Siu Lun, Lawrence, Mr. Liu Jin Liang, Dr. Zhao Fuquan, Ms. Wei Mei, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, the non-executive directors of the Company are Mr. Wang Yang and Mr. Yin Da Qing, Richard and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin, Mr. Yeung Sau Hung, Alex and Mr. Fu Yu Wu.