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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 %
	2010 RMB'000	2009 RMB'000	
Turnover/Revenue	20,099,388	14,069,225	43
Other income	839,110	431,530	94
Share-based payments	(273,437)	(7,337)	3,627
Profit for the year	1,549,711	1,319,028	17
Profit attributable to the equity holders of the Company	1,368,437	1,182,740	16
<i>Earnings per share</i>			
Basic (RMB cents)	18.59	17.08	9
Diluted (RMB cents)	17.15	16.66	3
Proposed final dividend (per ordinary share) (HK\$)	0.026	0.023	13
The Board decides to recommend payment of a final dividend of HK\$0.026 per ordinary share (2009: HK\$0.023 per ordinary share), and such proposal is subject to approval by shareholders of the Company at the annual general meeting to be held on Wednesday, 18 May 2011 at 10:00 a.m. (Hong Kong Time).			

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010, together with the comparative figures for 2009 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	2010 RMB'000	2009 RMB'000
Turnover/Revenue	5	20,099,388	14,069,225
Cost of sales		<u>(16,399,684)</u>	<u>(11,528,489)</u>
Gross profit		3,699,704	2,540,736
Other income	6	839,110	431,530
Distribution and selling expenses		(1,190,087)	(764,563)
Administrative expenses		(922,880)	(516,793)
Share-based payments		(273,437)	(7,337)
Finance costs	7	(244,785)	(107,226)
Loss on early redemption of convertible bonds	15	–	(15,987)
Gain on deemed disposal of interest in an associate	11	–	5,245
Share of results of an associate	11	<u>(7,302)</u>	<u>(15,145)</u>
Profit before taxation		1,900,323	1,550,460
Taxation	8	<u>(350,612)</u>	<u>(231,432)</u>
Profit for the year	7	<u>1,549,711</u>	<u>1,319,028</u>
Attributable to:			
Equity holders of the Company		1,368,437	1,182,740
Non-controlling interests		<u>181,274</u>	<u>136,288</u>
		<u>1,549,711</u>	<u>1,319,028</u>
Earnings per share			
Basic	10	<u>RMB18.59 cents</u>	<u>RMB17.08 cents</u>
Diluted	10	<u>RMB17.15 cents</u>	<u>RMB16.66 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED 31 DECEMBER 2010*

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit for the year	1,549,711	1,319,028
Other comprehensive income:		
Exchange differences on translation of foreign operations recognised	<u>46,487</u>	<u>21,576</u>
Total comprehensive income for the year	<u>1,596,198</u>	<u>1,340,604</u>
Attributable to:		
Equity holders of the Company	1,414,924	1,204,316
Non-controlling interests	<u>181,274</u>	<u>136,288</u>
	<u>1,596,198</u>	<u>1,340,604</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	<i>Note</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		5,796,750	4,328,102
Intangible assets		1,448,593	1,069,679
Goodwill		6,222	6,222
Interest in an associate	11	–	7,302
Prepaid land lease payments		1,367,701	1,171,473
		<u>8,619,266</u>	<u>6,582,778</u>
Current assets			
Prepaid land lease payments		33,782	29,322
Inventories		986,595	640,504
Trade and other receivables	12	9,912,961	6,144,929
Financial assets at fair value through profit or loss		12,947	12,209
Available-for-sale financial assets		100,000	–
Tax recoverable		2,391	–
Pledged bank deposits		242,582	894,292
Bank balances and cash		4,393,075	4,498,155
		<u>15,684,333</u>	<u>12,219,411</u>
Current liabilities			
Trade and other payables	13	10,543,028	7,328,825
Taxation		173,591	69,329
Bank borrowings, secured		1,096,669	1,509,635
		<u>11,813,288</u>	<u>8,907,789</u>
Net current assets		<u>3,871,045</u>	<u>3,311,622</u>
Total assets less current liabilities		<u><u>12,490,311</u></u>	<u><u>9,894,400</u></u>
CAPITAL AND RESERVES			
Share capital	14	139,279	136,993
Reserves		7,882,603	6,238,620
Equity attributable to equity holders of the Company		8,021,882	6,375,613
Non-controlling interests		1,055,795	720,907
Total equity		<u>9,077,677</u>	<u>7,096,520</u>
Non-current liabilities			
Convertible bonds	15	1,483,012	1,442,153
Long-term bank borrowings, secured		1,562,312	1,318,000
Deferred government grants	16	294,297	–
Deferred taxation	17	73,013	37,727
		<u>3,412,634</u>	<u>2,797,880</u>
		<u><u>12,490,311</u></u>	<u><u>9,894,400</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Statutory and staff welfare reserve	Translation reserve	Share option reserve	Convertible bonds reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	122,542	2,510,927	88,059	27,227	67,635	44,785	-	1,336,687	4,197,862	584,619	4,782,481
Profit for the year	-	-	-	-	-	-	-	1,182,740	1,182,740	136,288	1,319,028
Other comprehensive income:											
Exchange differences on translation of foreign operations recognised	-	-	-	-	21,576	-	-	-	21,576	-	21,576
Total comprehensive income for the year	-	-	-	-	21,576	-	-	1,182,740	1,204,316	136,288	1,340,604
Transactions with owners:											
Transfers	-	-	-	682	-	-	-	(682)	-	-	-
Utilisation of reserve	-	-	-	(6,775)	-	-	-	6,775	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	232,864	-	232,864	-	232,864
Shares issued under share option scheme	4,419	170,971	-	-	-	(13,220)	-	-	162,170	-	162,170
Recognition of share-based payments	-	-	-	-	-	7,337	-	-	7,337	-	7,337
Transfer upon expiration of share options	-	-	-	-	-	(3,824)	-	3,824	-	-	-
Transfer upon forfeiture of share options	-	-	-	-	-	(4,071)	-	4,071	-	-	-
Issue of shares	10,032	652,408	-	-	-	-	-	-	662,440	-	662,440
Dividend paid	-	-	-	-	-	-	-	(91,376)	(91,376)	-	(91,376)
Total transactions with owners	14,451	823,379	-	(6,093)	-	(13,778)	232,864	(77,388)	973,435	-	973,435
At 31 December 2009	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
Dividend 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	<u>139,279</u>	<u>3,459,019</u>	<u>88,059</u>	<u>17,614</u>	<u>135,698</u>	<u>283,534</u>	<u>232,864</u>	<u>3,665,815</u>	<u>8,021,882</u>	<u>1,055,795</u>	<u>9,077,677</u>

CONSOLIDATED CASH FLOW STATEMENT*FOR THE YEAR ENDED 31 DECEMBER 2010*

	<i>Note</i>	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit for the year before taxation		1,900,323	1,550,460
Adjustments for:			
Depreciation and amortisation		524,715	364,598
Interest income		(52,357)	(73,845)
Finance costs		244,785	107,226
Share of results of an associate		7,302	15,145
Loss on disposal of property, plant and equipment		4,949	7,419
Gain on disposal of intangible assets		(1,903)	–
Intangible assets write off		–	8,547
Gain on disposal of prepaid land leases		–	(8,754)
Net foreign exchange losses		16,911	15,311
Loss on early redemption of convertible bonds		–	15,987
Gain on deemed disposal of interest in an associate		–	(5,245)
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)	(1,748)
Share-based payment expenses		273,437	7,337
Operating profit before working capital changes		2,917,424	2,002,438
Inventories		(343,225)	(103,937)
Trade and other receivables		(2,896,749)	(2,665,932)
Trade and other payables		2,519,029	1,921,369
Cash from operations		2,196,479	1,153,938
Income taxes paid		(213,978)	(205,133)
<i>Net cash from operating activities</i>		1,982,501	948,805

	<i>Note</i>	2010 RMB'000	2009 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,529,406)	(716,542)
Proceeds from disposal of property, plant and equipment		193,523	114,251
Addition of prepaid land lease payments		(27,424)	(16,938)
Proceeds from disposal of prepaid land lease payments		5,927	29,803
Addition of intangible assets		(515,217)	(395,870)
Proceeds from disposal of intangible assets		57,403	–
Change in pledged bank deposits		651,710	(40,344)
Acquisition of subsidiaries/businesses	19	(134,475)	(346,073)
Investment in an associate		–	(8,078)
Purchases of available-for-sale financial assets		(100,000)	–
Interest received		52,357	73,845
		<hr/>	<hr/>
<i>Net cash used in investing activities</i>		(1,345,602)	(1,305,946)
Cash flows from financing activities			
Dividends paid		(148,352)	(91,376)
Proceeds from issuance of shares		–	677,161
Share issuance costs		–	(14,721)
Proceeds from issuance of shares upon exercise of share options		106,260	162,170
Issuance of convertible bonds		–	1,669,363
Redemption of convertible bonds		–	(322,069)
Capital contribution from non-controlling shareholders		153,614	–
Short-term bank borrowings, net, in respect of bank borrowings arising from discounted bills		(47,754)	291,048
Proceeds from borrowings		1,118,000	2,650,354
Repayment of borrowings		(1,708,900)	(966,356)
Interest paid		(205,210)	(89,192)
		<hr/>	<hr/>
<i>Net cash (used in) from financing activities</i>		(732,342)	3,966,382
(Decrease) increase in cash and cash equivalents		(95,443)	3,609,241
Cash and cash equivalents at beginning of year		4,498,155	889,408
Effect of foreign exchange rate changes		(9,637)	(494)
		<hr/>	<hr/>
Cash and cash equivalents at end of year, represented by			
Bank balances and cash		4,393,075	4,498,155
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010, 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 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 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates
HK– Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (Revised) – Business Combinations

The revised standard (HKFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in HKFRS 3R that had an impact on the Group's acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. For the year ended 31 December 2010, the adoption of HKFRS 3R changed the Group's accounting for the business combination during this year (see note 19) but did not result in material impacts on the Group's results for the year and its financial position as of 31 December 2010.

Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The adoption of HKFRS 3R required that the revised HKAS 27 (HKAS 27R) is adopted at the same time. HKAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. Similar to HKFRS 3R, HKAS 27R has been applied since 1 January 2010. The adoption of HKAS 27R did not have an impact in the current year financial statements.

HKFRSs (Amendments) – Improvements to HKFRSs 2009

The Improvements to HKFRSs 2009 made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

3. EFFECTS OF APPLICATION OF HKFRSS NOT YET EFFECTIVE

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKFRS 9	Financial Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

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 directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 24 (Revised) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in the revised standard do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the revised standard.

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

4. SEGMENTS

The Group is principally engaged in manufacturing and trading of automobiles and automobile parts and related automobile components which account for the total turnover and trading profits of the Group for the current and prior years and no segment information has been presented in previous financial statements. After the acquisition of the automatic transmissions business (note 19) during the year ended 31 December 2009, the Group re-organised its management structure and business lines. As a result, the Group manages its businesses by business lines and starts to report segment information from the current year. 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 an associate, interest income, interest expenses and income tax expenses. Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, 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. Comparative segment information has been restated to reflect the change in the Group's management structure and business lines.

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
Income tax expense					<u>(350,612)</u>
Profit for the year					<u>1,549,711</u>

BALANCE SHEET*At 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>
ASSETS					
Segment assets	<u>23,299,723</u>	<u>804,156</u>	<u>258,712</u>	<u>(58,992)</u>	<u>24,303,599</u>
LIABILITIES					
Segment liabilities	<u>13,478,128</u>	<u>278,243</u>	<u>1,528,543</u>	<u>(58,992)</u>	<u>15,225,922</u>

OTHER INFORMATION*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>
Capital additions (note)	2,766,547	26,581	–	–	2,793,128
Amortisation of intangible assets	83,407	–	–	–	83,407
Amortisation of prepaid lease payments	33,683	–	–	–	33,683
Depreciation of property, plant and equipment	<u>371,873</u>	<u>35,752</u>	<u>–</u>	<u>–</u>	<u>407,625</u>

Note: Capital additions include those arising from the acquisition of a subsidiary.

INCOME STATEMENT

For the year ended 31 December 2009 (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>
Sales to external customers	13,916,744	152,481	–	–	14,069,225
Inter-segment	<u>1,416</u>	<u>388,990</u>	<u>–</u>	<u>(390,406)</u>	<u>–</u>
Total segment revenue	<u>13,918,160</u>	<u>541,471</u>	<u>–</u>	<u>(390,406)</u>	<u>14,069,225</u>
Segment results	1,663,064	(15,141)	–	–	1,647,923
Interest income	71,554	1,845	446	–	73,845
Finance costs	(88,732)	(16)	(18,478)	–	(107,226)
Corporate and other unallocated income	–	–	(54,182)	–	(54,182)
Share of results of an associate	(15,145)	–	–	–	(15,145)
Gain on deemed disposal of interest in an associate	<u>5,245</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,245</u>
Profit before tax					1,550,460
Income tax expense					<u>(231,432)</u>
Profit for the year					<u>1,319,028</u>

BALANCE SHEET

At 31 December 2009 (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	16,227,350	893,010	1,689,335	(14,808)	18,794,887
Interest in an associate	<u>7,302</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,302</u>
Total	<u>16,234,652</u>	<u>893,010</u>	<u>1,689,335</u>	<u>(14,808)</u>	<u>18,802,189</u>
LIABILITIES					
Segment liabilities	<u>10,024,808</u>	<u>224,907</u>	<u>1,470,762</u>	<u>(14,808)</u>	<u>11,705,669</u>

OTHER INFORMATION

For the year ended 31 December 2009 (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)	1,677,748	376,013	–	–	2,053,761
Amortisation of intangible assets	54,251	–	–	–	54,251
Amortisation of prepaid lease payments	26,551	–	–	–	26,551
Depreciation of property, plant and equipment	<u>266,996</u>	<u>16,621</u>	<u>179</u>	<u>–</u>	<u>283,796</u>

Note: Capital additions include those arising from the acquisition of subsidiaries/businesses (including goodwill of RMB6,222,000 in respect of automobiles and related parts and components segment).

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, interest in an associate, 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 interest in an associate.

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers		
Hong Kong, place of domicile	–	–
PRC	18,505,412	13,363,686
Australia	192,405	91,610
Europe	286,490	386,191
Korea	371,751	55,209
Other countries	743,330	172,529
	<u>20,099,388</u>	<u>14,069,225</u>

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Specified non-current assets		
Hong Kong, place of domicile	93	103
PRC	8,187,104	6,173,867
Australia	432,069	401,506
The United Kingdom	<u>–</u>	<u>7,302</u>
	<u>8,619,266</u>	<u>6,582,778</u>

5. TURNOVER/REVENUE

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

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

6. OTHER INCOME

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Bank interest income	52,357	73,845
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	1,748
Rental income (<i>note 1</i>)	14,589	15,422
Net claims income on defective materials purchased	-	43,217
Gain on disposal of scrap materials	48,669	50,442
Gain on disposal of prepaid land leases	-	8,754
Gain on disposal of intangible assets	1,903	-
Subsidy income from government (<i>note 2</i>)	660,626	216,080
Sundry income	60,228	22,022
	<u>839,110</u>	<u>431,530</u>

Note:

- 1: Rental income net of outgoings for the year ended 31 December 2010 is RMB10,081,000 (2009: RMB11,523,000)
- 2: Subsidy income mainly relates to cash subsidies in respect of research and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Finance costs		
Effective interest expense on convertible bonds	90,941	18,034
Interest on bank borrowings wholly repayable within five years	153,416	89,139
Interest expenses paid to a related party	428	53
	<u>244,785</u>	<u>107,226</u>
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	786,448	520,001
Retirement benefit scheme contributions	57,284	36,064
Recognition of share-based payments	273,437	7,337
	<u>1,117,169</u>	<u>563,402</u>
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Other items		
Cost of inventories recognised as expense (note)	16,399,684	11,528,489
Auditors' remuneration	2,649	2,745
Depreciation	407,625	283,796
Amortisation of prepaid land lease payments	33,683	26,551
Amortisation of intangible assets	83,407	54,251
Net foreign exchange losses	21,897	2,272
Intangible assets write off	–	8,547
Loss on disposal of property, plant and equipment	4,949	7,419
Operating leases charges on premises	2,489	6,017
Research and development costs	97,637	65,380
Net claims paid on defective materials sold	27,244	–

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.

8. TAXATION

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Current tax:		
PRC enterprise income tax	313,157	221,824
Other overseas tax	–	1,747
Under (over) provision in prior years	<u>2,692</u>	<u>(3,455)</u>
	315,849	220,116
Deferred taxation (<i>note 17</i>)	<u>34,763</u>	<u>11,316</u>
	<u><u>350,612</u></u>	<u><u>231,432</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:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before taxation	<u><u>1,900,323</u></u>	<u><u>1,550,460</u></u>
Tax at the PRC enterprise income tax rate of 25% (2009: 25%)	475,081	387,615
Tax effect of expenses not deductible in determining taxable profit	136,732	27,399
Tax effect of non-taxable income	(60,357)	(19,830)
Tax effect of unrecognised tax losses	21,800	12,011
Utilisation of previously unrecognised tax losses	(410)	(1,287)
Tax effect of different tax rates of entities operating in other jurisdictions	34,203	6,602
Deferred tax charge on distributable profits withholding tax (<i>note 17</i>)	34,966	24,263
Effect of tax exemption granted to the PRC subsidiaries	(294,095)	(201,886)
Under (over) provision in prior years	<u>2,692</u>	<u>(3,455)</u>
Tax expense for the year	<u><u>350,612</u></u>	<u><u>231,432</u></u>

The applicable tax rate is the PRC enterprise income tax rate of 25% (2009: 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 RMB34,966,000 (2009: RMB24,263,000) 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. DIVIDENDS

A final dividend for the year ended 31 December 2009 of HK\$0.023 per share amounting to approximately RMB148,352,000 were paid to the shareholders during the year.

A final dividend for the year ended 31 December 2010 of HK\$0.026 per share amounting to approximately RMB170,258,000 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 2011 if it is approved by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB1,368,437,000 (2009: RMB1,182,740,000) and weighted average number of ordinary shares of 7,362,781,505 shares (2009: 6,926,525,450 shares), calculated as follows:

(i) *Weighted average number of ordinary shares*

	2010	2009
Issued ordinary shares at 1 January	7,310,855,450	6,489,755,450
Effect of new shares issued	–	334,191,781
Effect of shares issued upon exercise of share options	<u>51,926,055</u>	<u>102,578,219</u>
Weighted average number of ordinary shares at 31 December	<u><u>7,362,781,505</u></u>	<u><u>6,926,525,450</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2010 is based on the profit attributable to equity holders of the Company of RMB1,459,378,000 (2009: RMB1,195,391,000) and the weighted average number of ordinary shares of 8,511,197,705 shares (2009: 7,175,028,650 shares), calculated as follows:

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share (Profit attributable to equity holders)	1,368,437	1,182,740
After tax effect of effective interest on the liability component of convertible bonds	<u>90,941</u>	<u>12,651</u>
Earnings for the purpose of diluted earnings per share	<u><u>1,459,378</u></u>	<u><u>1,195,391</u></u>

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

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,362,781,505	6,926,525,450
Effect of deemed conversion of convertible bonds	1,001,277,412	136,770,274
Effect of deemed exercise of warrants	100,647,803	17,259,926
Effect of deemed issue of shares under the Company's share option scheme	<u>46,490,985</u>	<u>94,473,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>8,511,197,705</u></u>	<u><u>7,175,028,650</u></u>

The effect of deemed conversion of convertible bonds redeemed during the year ended 31 December 2009 was anti-dilutive up to the date of redemption for the year ended 31 December 2010.

11. INTEREST IN AN ASSOCIATE

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Share of net assets	81,818	89,120
Goodwill	18,182	18,182
Impairment loss recognised	<u>(100,000)</u>	<u>(100,000)</u>
	<u><u>–</u></u>	<u><u>7,302</u></u>
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Represented by:		
Cost of investment in an associate		
listed overseas	197,788	197,788
Share of post-acquisition losses and reserves	(97,788)	(90,486)
Impairment loss recognised	<u>(100,000)</u>	<u>(100,000)</u>
	<u><u>–</u></u>	<u><u>7,302</u></u>
Fair value of listed investments	<u><u>36,714</u></u>	<u><u>69,595</u></u>
Movement of interest in an associate:		
Opening carrying amount	7,302	42,241
Share of results	(7,302)	(15,145)
Investment in associates	–	8,078
Exchange difference	–	(33,117)
Gain on deemed disposal of interest in an associate	<u>–</u>	<u>5,245</u>
Closing carrying amount	<u><u>–</u></u>	<u><u>7,302</u></u>

Having considered the significant drop in the market value of the shares in Manganese Bronze Holdings plc (“MBH”) and the projected future profitability and cash flows of MBH, the impairment made in previous year is not reversed.

For the year ended 31 December 2009, the Group and other parties subscribed for additional shares in the associate. Therefore, the Group’s interest in the associate decreased from 22.69% to 19.97% and hence a gain on deemed disposal amounting to RMB5,245,000 was recognised. The Group retains significant influence over the associate through representation on the board.

At 31 December 2010, the Group had interest in the following associate:

Name of company	Place of establishments and operations	Paid-up capital	Attributable equity interest indirectly held by the Group	Principal activities
Manganese Bronze Holdings plc	United Kingdom	£7,617,482	19.97%	UK-based speciality automotive and taxi services group

The summarised financial information in respect of the Group's associates is set out below:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Total assets	751,128	757,721
Total liabilities	(405,850)	(320,856)
Net assets	<u>345,278</u>	<u>436,865</u>
Group's share of net assets of associate	<u>81,818</u>	<u>89,120</u>
Revenue	<u>715,672</u>	<u>781,797</u>
Loss for the year attributable to equity holders of the associate	<u>(56,970)</u>	<u>(76,646)</u>
Group's share of results of associate for the year	<u>(7,302)</u>	<u>(15,145)</u>

12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2010 RMB'000	2009 <i>RMB'000</i>
Trade and notes receivables			
Trade receivables			
– From third parties		962,228	558,769
– From related companies controlled by the substantial shareholder of the Company		487,846	179,686
		<hr/>	<hr/>
	<i>(a)</i>	1,450,074	738,455
Notes receivable	<i>(b)</i>	6,073,987	4,432,019
		<hr/>	<hr/>
		7,524,061	5,170,474
Deposit, prepayment and other receivables			
Deposit, prepayment and other receivables			
– Advance payment to suppliers		1,591,310	380,843
– Deposits paid for acquisition of property, plant and equipment		298,316	294,974
– Utility deposits and other receivables		494,172	275,403
		<hr/>	<hr/>
		2,383,798	951,220
Amounts due from related parties	<i>(c)</i>	5,102	23,235
		<hr/>	<hr/>
		9,912,961	6,144,929
		<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:

	2010 RMB'000	2009 <i>RMB'000</i>
0 – 60 days	588,080	142,061
61 – 90 days	55,170	14,384
Over 90 days	144,354	102,216
	<hr/>	<hr/>
	787,604	258,661
	<hr/> <hr/>	<hr/> <hr/>

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:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
0 – 60 days	277,491	277,085
61 – 90 days	47,070	45,367
91 – 365 days	244,848	91,652
Over 1 year	93,061	65,690
	<u>662,470</u>	<u>479,794</u>

Of the total trade receivables balance at 31 December 2010, RMB164,366,000 (2009: RMB91,246,000) was due from the Group's largest customer. There were no other customers 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 date but not impaired is as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
0 – 30 days past due	80,152	54,173
31 – 60 days past due	43,115	23,542
61 – 90 days past due	58,742	16,786
Over 90 days past due	11,938	1,657
	<u>193,947</u>	<u>96,158</u>

As at 31 December 2010, trade receivables of RMB1,256,127,000 (2009: RMB642,297,000) 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 RMB193,947,000 (2009: RMB96,158,000) 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 2010 and 2009 respectively for settlement of trade receivable balances. At 31 December 2010 and 2009, all notes receivables were guaranteed by established banks in the PRC and have maturities of six months or less from 31 December.

During the year, the Group has discounted notes receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of notes receivable and has recognised the cash received as secured short-term bank borrowings. At the balance sheet date, the Group did not have any outstanding discounted notes receivables and the associated financial liabilities (2009: RMB305,281,000 with effective interest rate of approximately 2.5% per annum). In addition, the Group did not pledge notes receivable to banks to secure the Group's notes payable as at 31 December 2010 (2009: RMB239,033,000).

(c) Amounts due from related parties

Amounts due from related parties represent deposits paid for purchases of raw materials from entities controlled by the substantial shareholder of the Company. The amounts due are unsecured and interest-free.

Except for trade and other receivable amounting to RMB54,170,000 (2009: RMB163,400,000) 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>	2010 RMB'000	2009 RMB'000
Trade and notes payables			
Trade payables			
– To third parties		4,619,345	1,600,761
– To related parties controlled by the substantial shareholder of the Company		728,792	901,450
	<i>(a)</i>	5,348,137	2,502,211
Notes payable			
– To third parties		10,000	1,734,565
– To related parties controlled by the substantial shareholder of the Company		325,164	–
	<i>(b)</i>	335,164	1,734,565
		5,683,301	4,236,776
Other payables			
Accrued charges and other creditors			
– Receipts in advance from customers		2,739,679	1,460,015
– Deferred income related to government grants (<i>note 16</i>)		469,069	453,976
– Payables for acquisition of property, plant and equipment		609,340	280,851
– Accrued staff salaries and benefits		198,787	120,313
– Business and other taxes		205,612	95,410
– Other accrued charges		612,347	507,529
		4,834,834	2,918,094
Amounts due to related parties	<i>(c)</i>	15,680	902
Loan from a non-controlling shareholder of a subsidiary of the Group	<i>(d)</i>	9,213	3,053
Amount due to ultimate holding company	<i>(e)</i>	–	170,000
		4,859,727	3,092,049
		10,543,028	7,328,825

(a) Trade payables

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
0 – 60 days	4,464,062	2,191,688
61 – 90 days	625,890	211,281
Over 90 days	258,185	99,242
	<u>5,348,137</u>	<u>2,502,211</u>

Trade payables do not carry interest.

The average credit period on purchase of goods is 60 days.

(b) Notes payable

At 31 December 2010 and 2009, 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 2.86% to 5.56% (2009: 5.31%) per annum and repayable within one year.

(e) Amount due to ultimate holding company

The amount due to the ultimate holding company was unsecured, interest-free and had no fixed repayment terms.

Except for other payables amounting to RMB33,148,000 (2009: nil) which is expected to be payable after 1 year from the balance sheet date, all other trade and other payables are expected to be recovered or recognised as expense within 1 year.

14. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK\$0.02 each		
At 31 December 2009 and 31 December 2010	<u>12,000,000,000</u>	<u>246,720</u>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2009	6,489,755,450	122,542
Issue of shares for cash	570,000,000	10,032
Shares issued under share option scheme	<u>251,100,000</u>	<u>4,419</u>
At 31 December 2009 and 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	<u>7,440,755,450</u>	<u>139,279</u>

During the year, options were exercised to subscribe for 129,900,000 ordinary shares in the Company at a consideration of approximately RMB106,260,000 of which approximately RMB2,286,000 was credited to share capital and the balance of RMB103,974,000 was credited to the share premium account. RMB20,739,000 has been transferred from the share option reserve to the share premium account in accordance with the accounting policy.

15. CONVERTIBLE BONDS

All the convertible bonds outstanding at 1 January 2009 have been early redeemed at HK\$365,988,000 (approximately RMB322,069,000) by the bondholders for the year ended 31 December 2009. The loss on early redemption which represented the difference between the redemption amount and the total carrying amounts of liability component and embedded derivatives amounting to RMB15,987,000 has been recognised in the consolidated income statement for the year ended 31 December 2009. Details of the terms of these convertible bonds redeemed are set out in the Company's annual report for the year ended 31 December 2008.

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\$1.90) per share, subject to adjustment in certain events. Upon the payment of final dividends for the year ended 31 December 2009, the conversion price of the CB2014 was changed to RMB1.66 (equivalent to HK\$1.8894) from 29 June 2010 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:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Liability component		
Carrying amount brought forward	1,449,150	288,267
Issued during the year	–	1,436,499
Accrued effective interest charges	90,941	18,034
Redeemed during the year	–	(293,650)
Interest paid during the year	(51,366)	–
	<u>1,488,725</u>	<u>1,449,150</u>
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Fair value of embedded derivative in respect of the put option and conversion option		
Carrying amount brought forward	–	37,770
Eliminated upon redemption	–	(37,770)
	<u>–</u>	<u>–</u>
Less: Fair value of embedded derivative in respect of the call option		
Carrying amount brought forward	–	25,338
Eliminated upon redemption	–	(25,338)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Liability component is represented by:		
Convertible bonds	1,483,012	1,442,153
Accrued interests included in trade and other payables	5,713	6,997
	<u>1,488,725</u>	<u>1,449,150</u>

The principal amount outstanding at 31 December 2010 is RMB1,671 million (2009: 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 GOVERNMENT GRANTS

Deferred government grants represents cash subsidies received in relation to the purchase of prepaid land leases and property, plant and equipment or projects of which conditions have not yet been satisfied. Current portion of RMB469,069,000 (2009: RMB453,976,000) has been included in trade and other payables (note 13).

17. DEFERRED TAXATION

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
At 1 January	37,727	8,018
Acquisition of subsidiaries/businesses (<i>note 19</i>)	–	16,155
Exchange differences	523	2,238
Charge to the consolidated income statement (<i>note 8</i>)	<u>34,763</u>	<u>11,316</u>
At 31 December	<u><u>73,013</u></u>	<u><u>37,727</u></u>

Deferred tax assets in respect of provisions

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
At 1 January	14,259	–
Acquisition of subsidiaries/businesses	–	14,536
Exchange differences	1,581	2,013
Credit (charge) to the consolidated income statement	<u>2,125</u>	<u>(2,290)</u>
At 31 December	<u><u>17,965</u></u>	<u><u>14,259</u></u>

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

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 2009	8,018	–	8,018
Acquisition of subsidiaries/businesses	–	30,691	30,691
Exchange differences	–	4,251	4,251
Charge (credit) to the consolidated income statement	<u>24,263</u>	<u>(15,237)</u>	<u>9,026</u>
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 31 December 2010	<u>67,247</u>	<u>23,731</u>	<u>90,978</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 for 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 RMB1,921 million (2009: RMB1,301 million).

At the balance sheet date, the Group has unused tax losses of approximately RMB324 million (2009: RMB84 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.

18. 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 2009, the exercise price of the warrants were adjusted to RMB2.0148 (equivalent to HK\$2.2871) per share from 29 June 2010 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 (2009: nil).

19. BUSINESS COMBINATIONS

For the year ended 31 December 2010

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>180,028</u>
Total consideration satisfied by:	
Cash	<u>180,028</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(180,028)
Bank balances and cash acquired	<u>45,553</u>
	<u>(134,475)</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.

For the year ended 31 December 2009

Automatic transmissions business

On 15 June 2009, the Group acquired the business of designing, developing and manufacturing automatic transmissions in Australia from an independent third party (with receivers and managers appointed). The consideration is cash of A\$47.4 million (approximately RMB226.2 million) plus adjustment on working capital determined on the completion date. The final consideration after adjustment on working capital is A\$54.6 million (approximately RMB293,696,000). Details of the acquisition have been set out in the Company's announcement dated 27 March 2009.

Chengdu Gaoyuan Automobile Industries Company Limited and Lanzhou Geely Automobile Industries Company Limited

On 27 October 2009, the Company entered into agreements with Zhejiang Geely Holding Group Company Limited to acquire 100% interests in Chengdu Gaoyuan Automobile Industries Company Limited ("Chengdu Gaoyuan"), Jinan Geely Automobile Company Limited and Lanzhou Geely Automobile Industries Company Limited ("Lanzhou Geely"). The acquisitions in Chengdu Gaoyuan Automobile Industries Company Limited and Lanzhou Geely Automobile Industries Company Limited were completed on 7 December 2009 and 8 December 2009 respectively. Details of the acquisitions have been set out in the Company's circular dated 17 November 2009.

The net assets acquired in the above transactions are as follows:

	Automatic transmissions business			Chengdu Gaoyuan and Lanzhou Geely			Total fair value RMB'000
	Carrying amount before combination	Adjustments	Fair value	Carrying amount before combination	Fair value adjustment	Fair value	
	RMB'000 (note 1)	RMB'000 (note 1)	RMB'000	RMB'000	RMB'000 (note 2)	RMB'000	
Net assets acquired:							
Property, plant and equipment	252,307	38,150	290,457	247,579	-	247,579	538,036
Intangible assets	-	13,475	13,475	43,908	-	43,908	57,383
Prepaid land lease payments	-	-	-	153,141	-	153,141	153,141
Trade and other receivables	43,082	17,497	60,579	578,163	-	578,163	638,742
Inventories	11,981	24,218	36,199	13,704	-	13,704	49,903
Cash and cash equivalents	-	-	-	100,977	-	100,977	100,977
Trade and other payables	(19,717)	(71,142)	(90,859)	(740,340)	-	(740,340)	(831,199)
Bank borrowings	-	-	-	(80,000)	-	(80,000)	(80,000)
Loan from a related company	-	-	-	(170,000)	-	(170,000)	(170,000)
Deferred taxation	6,043	(22,198)	(16,155)	-	-	-	(16,155)
	<u>293,696</u>	<u>-</u>	<u>293,696</u>	<u>147,132</u>	<u>-</u>	<u>147,132</u>	<u>440,828</u>
Goodwill			-			6,222	6,222
			<u>293,696</u>			<u>153,354</u>	<u>447,050</u>
Total consideration satisfied by:							
Cash			<u>293,696</u>			<u>153,354</u>	<u>447,050</u>
Net cash outflow arising on acquisition:							
Cash consideration paid			(293,696)			(153,354)	(447,050)
Bank balances and cash acquired			-			100,977	100,977
			<u>(293,696)</u>			<u>(52,377)</u>	<u>(346,073)</u>

Note 1: The above carrying amounts of assets and liabilities of the business acquired are based on the book values of the business acquired as provided by the receivers. In addition to fair value adjustments, certain financial assets and liabilities have also been adjusted based on the final settlement accounts provided by the receivers.

Note 2: The directors assessed that the differences between fair values and carrying amounts of assets and liabilities are insignificant.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth, future market development and the nature of the specialised industry of the businesses acquired.

The businesses 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.

20. POST BALANCE SHEET EVENT

On 21 January 2011, the Company entered into agreements with Zhejiang Geely Holding Group Company Limited and its subsidiary for the acquisition of 100% interests in Ningbo Vision Automobile Parts and Components Company Limited (“Ningbo Vision”) and Shandong Geely Gearbox Company Limited (“Shandong Geely”) at 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. As at the date of this announcement, the proposed acquisitions and the capital injection have been completed.

Ningbo Vision and Shandong Geely have not engaged in any operating activities at the acquisition date and the acquisitions were accounted for as purchases of assets and liabilities of which no goodwill was recognised.

The net assets acquired mainly comprise the following class of assets acquired and liabilities assumed, including property, plant and equipment, intangible assets, cash and bank deposits, trade and other receivables, inventories and trade and other payables of RMB414.3 million, RMB287 million, RMB10 million, RMB41 million, RMB1 million and RMB296 million respectively.

The Company also entered into an agreement with Zhejiang Geely Holding Group Company Limited to purchase a land use right of a land located at Xiangtan City, in the Hunan Province of the PRC for a consideration in cash of RMB24.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group kept up its growth momentum throughout 2010 and achieved the performance targets set at the beginning of the year. The strong performance was partly helped by the Chinese Government’s policies to promote economy sedans, but also as a result of the Group’s improving brand and product image.

While the Chinese sedan market continued to experience exceptionally strong growth in 2010, recovery in our major export markets remained slow throughout the year. Despite this, the Group’s performance in 2010 was very encouraging with total sales volume increased by 27% to 415,843 units and revenue increased by 43% to RMB20.1 billion for the year ended 31 December 2010. Profit attributable to the equity holders of the Company amounted to RMB1.37 billion, representing an increase of 16% over 2009. Key drivers to profit growth in 2010 included significant increase in sales volume, improvement in product mix and thus resulting in better margins during the period. The strong 2010 results were despite the start-up costs for the construction of three automatic transmissions plants in Xiangtan, Jinan and Chongqing and 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. Excluding non-cash expenses related to the recognition of share-based payments to employees, the underlying profit attributable to shareholders increased more rapidly by 38% from RMB1.19 billion to RMB1.64 billion.

Business Overview

China's sedan demand continued to grow at a fast pace in 2010, despite the reduction in tax incentives offered to smaller size vehicles since the beginning of 2010. Total sales volume of passenger vehicles in China in 2010 increased by 33% over the previous year to a total of 13.8 million units in 2010 according to figures from the China Association of Automobile Manufacturers ("CAAM"), making China the largest passenger vehicle market in the World in 2010. Amongst which, multi-purpose-vehicles ("MPV") and sport-utilities-vehicles ("SUV") grew at a much faster pace at 79% and 101% respectively, compared with the 27% growth achieved by the sedan segment during the period. Cost pressure also intensified during the year due to higher inflation in China and rising commodities prices during 2010.

Despite those challenges and difficulties like the shortage of production capacity and weaker than expected export demand, the Group still managed to capitalize on the strong demand in the domestic market and maintained its domestic market share and achieve another record year in terms of sales volume and profitability in 2010. The strong result of the Group was helped by its successful migration to the "Multi-brand Strategy" and the full implementation of the "Platform Strategy" in product development, resulting in significant improvement in the Group's brand images, customer satisfactions, product quality and reliability during 2010.

The Group sold a total of 415,843 units of sedans in 2010, up 27% from 2009, of which 5% or 20,555 units were sold abroad, up 6% from 2009. In the Chinese market, the Group's sales volume was up 29% over last year to 395,288 units in 2010, in line with the overall growth in China's sedan market during the same period. The Group's profit margin improved slightly in 2010, helped by better product mix and economies of scales. Total net profit of the Group was up 17% from RMB1.32 billion in 2009 to RMB1.55 billion on 43% growth in revenues, both are record highs in the Group's history. After non-controlling interests, net profit attributable to shareholders of the Company was up 16% from RMB1.18 billion in 2009 to RMB1.37 billion in 2010.

Outlook

The Group will embark on a new phase of "Strategic Transformation" in 2011, aiming to further strengthen our overall competitiveness. With the significant improvement in brand image, production and service quality achieved in the past few years, and the encouraging results to most of our new models last year, the Group should be in a much stronger position to meet any new market challenges and grow in the future.

With the effort spent in the past few years to further 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, thus enabling the Group to sustain profit growth longer term.

Despite the Group's strong performance in the past few years, after taking into account the higher uncertainty in both domestic and world markets, the Group's Board of Directors decided to take a conservative stance and to set our 2011 sales volume target at 480,000 units, up 15% from 2010, which is slightly higher than the level of projected growth of China's sedan market by China Association of Automobile Manufacturers.

In the short to medium term, risks to our growth remain, in particular, the high uncertainty of the global economy, rising raw material prices, higher inflation and thus tightening monetary policies in China. All of which could pose significant challenges to the Group's operations in 2011. As a result, the Group will continue to implement major transformation in the coming years, shifting its focus from product line management to brand management, from technology competence to total quality focus, and from fast growth to sustainable growth, aiming at transforming the Group into a real global automobile manufacturer which is competitive internationally.

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 2010, the Group's shareholders' funds amounted to approximately RMB8.0 billion (As at 31 December 2009: approximately RMB6.4 billion). The Company issued 129.9 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 Hong Kong and the Group's assets and liabilities are mainly denominated either in Renminbi or Hong Kong dollars.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's current ratio (current assets/current liabilities) was 1.33 (As at 31 December 2009: 1.37) and the gearing ratio of the Group was 52% (As at 31 December 2009: 67%) which was calculated on the Group's total borrowings to total shareholders' equity. As at 31 December 2010, 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 ample internal cash reserve, 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 2010. 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 2010, the Group had to prepay these inventories to its suppliers towards the end of 2010. 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 2010, the receipts in advance from customers represented almost 23% (As at 31 December 2009: 16%) of the total current liabilities. Accordingly, the net effect of the above resulted in a slight decrease in current ratio at the end of year 2010 over the previous year.

Total borrowings (excluding trade and other payables) as at 31 December 2010 amounted to approximately RMB4.1 billion (As at 31 December 2009: approximately RMB4.3 billion) were mainly the Company's convertible bonds and bank borrowings. For the Company's convertible bonds, they were unsecured, interest-bearing and repaid on early redemption or maturity. For the bank borrowings, they were secured, interest-bearing and repaid on maturity. The 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 2010. 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 2010, the total number of employees of the Group was about 17,102 (As at 31 December 2009: 12,282). 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.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year, there was also a significant increase in the property, plant and equipment and intangible assets. Such increase was a combination of (a) the completion of acquisition of another manufacturing plant in Jinan of Shandong province, the PRC; and (b) the additions used for the research and development of new vehicle models, new engines and gearboxes; the expansion and upgrading of production facilities of the Group.

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 2010.

PROPOSED FINAL DIVIDEND

The directors have recommended the payment of a final dividend of HK\$0.026 per ordinary share for the year ended 31 December 2010. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 18 May 2011 at 10:00 a.m. (Hong Kong Time). Upon shareholders' approval, the proposed final dividend will be paid on or before 30 June 2011 to shareholders whose names shall appear on the register of members of the Company on 18 May 2011.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2011 to 18 May 2011, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividends and voting at the annual general meeting to be held on 18 May 2011, 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, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 11 May 2011.

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 of the Listing Rules, throughout the year ended 31 December 2010, 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 25 May 2010 in Hong Kong.

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 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 18 May 2011 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 2010 have been agreed by the Group's auditors, Grant Thornton Jingdu Tianhua (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 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 2010 annual report will set out all information disclosed in the annual results announcement for 2010 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 2011.

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

Hong Kong, 23 March 2011

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. Yin Da Qing, Richard, Mr. Liu Jin Liang, Dr. Zhao Fuquan and Ms. Wei Mei, the non-executive director of the Company is Mr. Wang Yang and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Song Lin and Mr. Yeung Sau Hung, Alex.